

World airlines Still trying to get above the turbulence



Sir Peter Levene Breathing new into Canary Wharf



Eliminating the negative

FINANCIAL TIMES

. Airlines expected to lose \$2.4bn worldwide this year

Europe's Business Newspaper

Airlines are expected to lose a further \$2.4bn-\$2.5bn on international scheduled services this year, after losing \$11.5hn over the past three years, the international Air Transport Association says in its annual report. At best, the industry is expected to break even next year, with the possibility of a reasonable profit in 1995 or 1996. Page 12; Britain bans Polish carrier in flights row, Page 3; Slow recovery on the runway, Page 10

Delors may not seek French presidency: European Commission president Jacques Delors, 68, binted that he may not stand in the French . presidential election in spring, 1995. His suggestion that he may bury his ambitions to enter the Elysée defies his continuing strong showing in French opinion polls. Page 12

Stronger yen hits shipbuilders: Japan's shiphuiders have increased profits over the last three years against the trend of most companies earnings, but their first-half results this year suggest that the yen's appreciation has left them facing a period of restructuring. Page 15

European Monetary Systems Currencies within the EMS grid stabilised as the D-Mark recovered following the Bundesbank's recent interest rate cut and after strikes in Belgium and France. The disparity between the Dutch guilder at the top of the grid and the Danish krone at the bottom widened to just over 6 per cent as investors adjusted their positions at the end of the month. Currencies, Page 25

October 29, 1993

EMS: Grid

Gullder D.Mark Peseta trish Punt Escudo F.Franc B.Franc

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members

Jews set fire to Arab homes: Jewish settlers in the West Bank set fire to Arab homes, stoned cars, blocked roads and burnt tyres in response to the murder of a Jewish settler by Islamic militants. in the Gaza Strip, an Israeli shot dead a Palestinian who had stabbed him. Page 4

of the mechanism. The exceptions are the D-Mark

Doubts over Renault-Volvo deal: Volvo's institutional shareholders harbour doubts about the proposed merger of the Swedish group's car and truck operations with Renault, French stateowned vehicle builder, which is due to be agreed this week. Page 13

Halti plans provisional presidency: Haiti's military leaders, who defied international efforts to have exiled President Jean-Bertrand Aristide reinstalled, plan to replace him with a provisional president and then call a presidential election.

Ferranti shareholders resist GEC offer: Rebel shareholders of troubled UK defence electronics group Ferranti international have commissioned an investment consultancy to examine ways of resisting a token offer from GEC which would give them only 1p a share. Page 14

tran's oil price warning: Iran warned the Organisation of Petroleum Exporting Countries that it would have to re-examine its September output agreement and cut its ceiling if oil prices did not recover. Page 4

Ex-KGB man quizzed in Britain: British police questioned former Soviet KGB general Oleg Kalugin about the 1978 murder in London of Bulgarian dissident Georgy Markov, who died four days after being jabbed in the leg by a poisoned umbrella as he waited for a bus.

Bethlehem Steel of the US has awarded British Steel its first overseas contract for a pioneering technology that reduces the amount of coire needed in hlast furnaces. Page 6

China executes officials: Seven Chinese officials were executed, including the mayor of a town in southern Henan province, as a nationwide anti-corruption drive gathered pace.

Federico Fellini dies in Rome at 73



Film director Federico Fellini died in Rome after two weeks in a coma. He was 73. His most famous films were La Strada, La Dolce Vita, The Nights of Cabiria, 8-1/2 and Amarcord. He won five Oscars, including one for life-time achievement. Obituary.

River Phoenix dies: US film actor River Phoenix collapsed and died in Los Angeles, aged 23. He made his mark as a child actor in Stand By Me and appeared in Indiana Jones and the Temple of Doom, The Mosquilo Coast, Little Nikita and

Sneakers.





New man at Kodak

National party abandons demand for constitutionally enshrined veto power S African government gives ground to ANC

By Patti Waldmeir in Johannesburg

SOUTH AFRICA's ruling National party appears to have abandoned its demand for a con-stitutionally enshrined veto in a government of national unity to be headed by Mr Nelson Mandela if his African National Congress wins the country's first all-race general election next April.

Joint proposals, which will be

incorporated in a draft of the constitution due to be released today, show that the government has given substantial ground in its negotiations with the ANC on a new constitution. The National party would have little constitutionally entrenched power to block majority decisions.

In an earlier draft, the party was guaranteed what amounted to a veto in the areas of budget, Crunch time for South Africa's power-sharing constitution

Page 4

five-year national unity govern-ment. However, the long-ruling National party, which speaks for minority interests and is likely to come second in next year's elections, now seems to have accepted a form of voluntary rather than enforced power sharing, with President F W de Klerk appearing to rely on assurances from Mr Mandela thet fundamental decisions will not be taken without his approval.

If the ANC wins the general election set for next April, Mr Mandela would become president of South Africa. Unless National party electoral support is drasti-cally eroded, Mr de Klerk is likely to become second deputy The proposals call for president, alongside a first dep-multi-party power sharing in a uty president also from the ANC.



African National Congress leader Nelsoo Mandela could be president of South Africa after April elections

If Mr de Klerk disagrees with the ANC, he can try to muster support from allies to outvote it in the cabinet. He is likely to need 40 per cent support to block the ANC, which still might not guarantee him aotomatic veto

Dissent surfaced within Mr de Klerk's National party about the ontcome of the talks. One influential party member said the pro-posals would leave the party "at the mercy of the ANC" The proposals also offer only limited powers to provincial regional governments.

assemblies. They are likely to reinforce fears of many whites and harden the opposition of Chief Mangosuthu Buthelezi and his Inkatha Freedom Party which demands a quasi-independent status for Natal province, the IFP strongtold. The IFP and its white partners in the right-wing Freedom Alliance have been given 10 days to respond to the proposals. Freedom Alliance officials con-demned the proposals released yesterday, saying they did not

devolve sufficient powers to

ANC and government negotiators expect to wrap up three years of off-on constitutional negotiations later this week, completing proposals on how a constitution should be written (the document on the table is an interim constitution of up to five years' duration); on the composition of a constitutional court, and local government.

They will present the docu-ment as a final offer to the Freedom Alliance, which includes the IFP and the white Conservative

Russian banks opt to invest **overseas**

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By Leyla Boulton in Moscow

RUSSIAN banks have more than \$15bo dollars stashed away io accounts in the west bot bave made hard currency loans worth less than half a hillion dollars to customers within Russia.

Thirteeo banks, which accoost for 80 per ceot of Russian hard cnrreocy operations, had \$10.03ho in correspondent and investment accounts in western banks at January 1 this year, according to a western study. The same banks had outstanding loans of less than \$300m leot to

customers inside Russia. By this Jnne, all Russian baoks beld about \$15.5bo abroad, according to central bank figures. Loans within Russia were worth about 3 per ceut of that sum.

The figures compiled from official sources and the banks are an index of the financial chaos within the Russian economy

While the hanks have large amonots of bard currency abroed, the government is rescheduling debts owed to the west, seeking other forms of international finance help it promote business investment.

Many Russian companies with export poteotial have mooey bot do not trust the national currency or the euthorities enough to keep it at home in roobles.

Despite Russia's hunger for nvestment finance, banks avoid lending within the country except to clients which earn hard currency and are well-known to them - dne to a lack of mechanisms to ensure repayment.

Mr Francis Gelibter, director Petersburg-based joint venture of Eurosiris, the Paris based con sultancy, which conducted the study said: "If I were the man ager of a Russian bank I would do the same because there are few alternatives to placing the money abroad. Lending is risky because you don't know if the person will disappear tomorrow or whether new legislation will

come along to ruin the project." The money in correspondent accounts partly services the needs of Russiao companies which trade with the west. But the report's anthors say that with exports of just \$30bo a

Continued on Page 12

Dublin puts pressure on Ulster Unionists

Tim Coone in Dublin

dom Fighters.
Mr Albert Reynolds, the Irish prime minister, said he was determined not to allow the pro-cess to be derailed by the killings

civil war.

gered by last weekend's bombing of a shop in Belfast which killed 10 people. The violence continued was wounded in Newry.

sels on Friday.

Unionist leaders, probably lasting up to 12 months.

statement issued by the two prime ministers was "an endorsement of the six-point plan for a united Ireland laid out last week by Dick Spring.
"Whoever it was aimed at, it

because it is adopting a nationalist agenda."

plunged into mourning. It was business as usual on Saturday comparison with the rest of the night at the Rising Sun bar and

guilty of "self-deception."

tary procedures for Northern to distance the Anglo-Irish initia-ireland legislation may persuade tive from the peace proposals tive from the peace proposals Mr Molyneaux to take part in the produced by Mr John liume, leader of the nationalist SDLP,

the IRA. islation. However, other UUP leaders remained wary. Mr David Trim-

hle, the party's home affairs spokesman, said Mr Spring was Mr John Major is expected to make a statement on the peace initiative in the Commons today. probably as part of a wider report

and Mr Gerry Adams, president of Sinn Fein, the political wing of

Mr Hume said in a series of interviews that the SDLP/Sinn Féin proposals remained the best prospect for peace in Northern ireland. He said it was "difficult to accept" that the Hume-Adams proposals had been dismissed by the British and Irish govern-

Mr Hume accused Mr Major of

Continued in Page 12

Unionist party, who warned that eign minister, said he hoped to believes that constitutional guar- on the EC summit in Brussels. By Kevin Brown in London and Northern Ireland was close to set up a series of meetings with antees and changes to parliamne-

THE IRISH government yesterday tried to add to the momentum behind the Northern Ireland peace process by stepping up pressure on Unionist leaders to join round table talks on the province's future, in the wake of Saturday's murder of seven peo-ple by the Loyalist Ulster Free-

in a bar in Greysteel, Co Derry.

The initiative was rejected by
Mr Peter Robinson, deputy leader
of the hardline Democratic

By Our Belfast Correspondent

IT WAS an all too familiar sight.

Tearful women and children lay-ing flowers at the scene of yet another terrorist atrocity in

Last weekend it was the Shankill Road, on Tuesday a cleansing depot in west Belfast

and late on Saturday night the

Terrorists from both sides have

killed 23 people in the last two weeks in a cycle of violence trigvesterday when an RUC officer Mr Reynolds said Unionists had "nothing to fear" from the

initiative launched by the British and Irish governments in Brus-

He said : "As long as a majority of the people of Northern Ireland wish the present status to remain, that's the way it will be." Mr Dick Spring, the Irish for-

restaurant complex at the north-ern end of the village. The streets were bedecked with the

red and white hunting of the county's Gaelic football team, which recently won the All-Ireland championship.

That had contributed to a

But Mr Robinson said the joint

was not aimed at Unionists

However, ministers were heartened by the restrained reaction of Mr James Molyneaux, leader of the official Ulster Unionist party (UUP), who has made no public

British government Terror at the Saturday dance

from US politicians had brought

money and jobs.

Customers were packed into the lounge of the Rising Sun waiting for the hand to start,

shortly after 10pm, when the

killers struck. Two gunmen from

the outlawed loyalist para-mili-

The government is moving to set up a Commons committee on Ulster, and may also scrap the use of non-amendable orders in council for Northern Ireland leg-

tightly-knit community of Greys-teel in Cn Londonderry was mood of optimism in Derry in recent months. The county had De Benedetti lawyers attack magistrates' arrest order

By Robert Graham in Rome

LAWYERS for Mr Carlo De Benedetti, the head of Olivetti, were seeking to make arrange-ments yesterday for him to hand himself over to Rome magistrates to answer corruption charges.

Mr De Benedetti was outside

Italy when an arrest warrant was issued in Rome on Saturday. His lawyers, who expressed "amaze-ment" at the warrant, said Mr De Benedetti would "simply follow his usual approach and present himself to the judges to answer their questions".

Lawyers were seeking to determine whether Mr De Benedetti would be obliged to spend time in jail before being questioned. With a public holiday today, they ini-tially suggested that Mr De Bene-

UK Hees -

detti should hand himself over on

The arrest warrant for Mr De Benedetti has provoked conster-nation in Italy among lawyers and businessmen as well in the media - not least in the daily La Repubblica, which Mr De Benedetti also owns.

At Ivrea, the headquarters of Olivetti, the unions voiced concern over the future of the telecommunications and office equipment gronp, which made first-half losses of L168bn (£69.79m) and is undergoing a restructuring.

The magistrates' move against one of the most prominent figures in Italian business also comes at a moment of increasing confusion as Italy's discredited

political parties disintegrate.

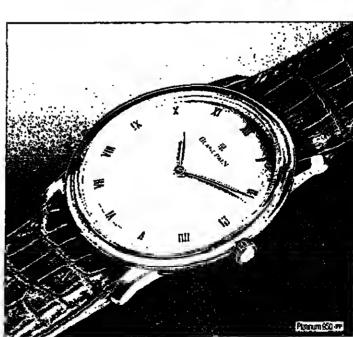
The charges against Mr De Benedetti relate to payments of L10bn made to secure ministry of posts contracts for teleprinters between 1988-91. Those have already been investigated by Milan magistrates to whom Mr De Benedetti made detailed statements in May. At the time, the Milan magistrates decided against issuing an arrest war-

Investigations into the post ministry have since become the competence of Rome magistrates. They have hinted that they have acquired new information suggesting that payments to secure contracts went back to 1983. More seriously for Mr De Benedetti, the Rome magistrates have

Continued in Page 12

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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Winter of discontent looms as Europeans battle over jobs

from the spectacular victory of Air France employees in forcing a government climbdown last week over cost-cutting plans for the troubled airline. In Germany, Belgium, Italy, spain and France, employers are facing increasing militancy as they demand job cuts and flexibility in an attempt to

prune costs.

Much of the recent disruption is about joh security rather than pay, and it has been directed at governments rather than private sector employers. But the wave of protest reveals potentially omi-

nous developments for indus-

trial peace in Europe. The decline of trade union power in Europe appears to be no guarantee of harmony and may, indeed, have the opposite effect. France, the centre of recent disruption, has the lowest level of unionisation among countries in the Organisatioo for Economic Co-operation and

Development. Unionisation is higher in the French public sector than in the private sector but the weak hold that union leaders have over the rank and file, even in the public sector, prevented an early conclusion of the dispute at Air France

All of the national protests have domestic roots, but the domino effect seems to be playing a part, In Spain and Belgium in particular, two countries strongly influenced by France, union militancy seems to have been fuelled hy the success of their French col-

In France itself, while the airline strike has ended, the dispute is far from over. Fresh negotiations on a new package start this week. Force Ouvrière, one of the unions which spearheaded the Air France

By Tom Burns in Madrid, David Goodhart in London, John Ridding in Paris and Quentin Peel in Bonn

protest, has threatened further action if the new plan is unac-

Strikes are also threatened later this month at Groupe Bull, the computer manufacturer, Pechiney, the aluminium producer and several other companies listed for privatisation. Rail, post office and tele-communications workers backed a day of protest on October 12 over planned job

losses and pay cuts.
In Germany, three factors bave combined to raise the prospect of a bitter autumn and winter of labour unrest:

cies, efforts by employers to cut lahour costs, and sharp reductions planned in public spending, not least in social

Tha key is the looming confrontation in the 4m-strong engineering industry, where the employers have symbolically announced the termina-tion of current wage and holiday contracts, due to expire anyway at the end of the

IG Metall, the engineering workers' union, has called for

open conflict in the New Year. in a desperate effort to pre-

erve real wages and generous

holiday benefits. The temperature is rising in many other sectors. Last week in Bonn, 120,000 hullding workers protested against government plans to scrap their winter lay-off payments. It was the largest union demonstration in recent years. A week before, tens of thou-

sands of steel workers pro-tested in the Ruhr region over reductions in social payments. At the end of September, 60,000 coal miners demonpit at Bergkamen, and two weeks ago, workers occupied a power station nearby which is threatening to switch to cheap imported coal.

On Friday, unemployed workers demonstrated in more than 200 towns and cities ecross tha country at the destruction of the welfare

Among the threateoed job osses are those of 14,000 at Mercedes for next year, after cuts of 22,000 in 1992 and 1998. A further 16,000 are set to go at Deutsche Aerospace. In tha machine tool sector almost 50,000 jobs will be shed.

In Spain, union leaders meet govarnment ministers on Thursday to discuss wage restraint and more flexible labour regulations but demonstrations are already planned for later this month over the very economic policies they are ostensibly oegotiating. "There is oo objective reason

why what is happening in France and Italy will not hap-pen here as well," said a member of the employers' confeder ation who is attending the

Faced with rising unemploymeot, the government wants to peg wage rises over the next



Striking Air France staff last week - does their successful action herald a winter

three years to below annual inflation levels. The unions are adamant that joh security should be pro-tected. The issue has surfaced at SEAT, Volkswagen's troubled Spanish subsidiary, where 9,000 jobs are to go.

Unrest over wage restraint is highest among 70,000 ateel-workers at the state-owned INI group, following a manage-ment decision to delay salary

In both Spain and Belgium the unions appear determined to reject "social pacts" restraining wages, which are ostensibly designed to create jobs. In Spain, the pact also involves an overhaul of costly dismissal procedures and in

ers' social security payments. Such a development bodes ill for the job creation proposals which are emerging from the European Commission in Brus-

Belgium a reduction in employ-

The main argument is that the proceeds of growth have to be shared more widely and not appropriated by those in

But unions thronghont Europe fear there is no guaran-tee that wage restraint will cre-

Four-day week 'no solution on jobs'

BUSINESS leaders in Germany warned at the weekend that introducing a four-day week in crisis-hit sectors of industry, as proposed by managers at Volkswagen, could prove counter-productive, writes Quentin Peel in Bonn.

divided over the plan. There have been calls for similar action in the aerospace and coal mining industries to aver threatened mass redundancies. Yet the unions insist workers cannot be expected to suffer a 20 per cent cut in their wages. Volkswagen begins negotia-tions this week on the option between a four-day week for its 108,000 strong workforce,

or a loss of 30,000 jobs. Mr Hans-Peter Stihl, presi-dent of the chambers of industry and commerce (DIHT), said the four-day week was "funds mentally a step to the wrong direction". "In the future we must work more, not less, if we want to remain competi-tive," he told the Bild am Sonntag newspaper. The four-day week only made sense if it was part-time working, with a corresponding cut in wages.
Mr Tyll Necker, president of
the German industry federation (BDI), said that German industry needed cuts in real

wages, not in working hours. Mr Klaus Murmann, chairman of the employers' federa-tion (BDA), warned last week that a four-day week was no panacea. "The necessary job reduction caused by the twin-burden of recession and structural crisis may be slowed down, but it cannot be stopped."

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The European Union slips quietly into life

Lionel Barber on the Maastricht treaty, which takes effect today

THE 340m citizens of the as the internal market. European Community may hardly have noticed, but despite the absence of fanfares, history will record that Mouday, November 1, 1993, marked the entry into force of the Maastricht treaty and the birth of the European Union.

Maastricht provides for small, but potentially significant changes in how Europe does business. It will increase tha powers of the European parliament, and deepen collaboration between governments on drugs, immigration and crime. It also lays the groundwork for greater co-operation on foreign policy, and provides for a move to a single Euro-

pean currency by 1999 at the Some of these changes look incremental; others such as the move to European economic and monetary union look doubtful, at least in the light of the recent de facto suspension of the exchange rate mecha-

Maastricht's proponants insist that the treaty is one of the most misunderstood documents in modern times, perhaps because it is about as readable as a London bus timetable. Yet the opaque, bureaucratic language reflects the ambiguity inherent in a treaty which was a compromise between federally minded states such as the Netherlands and Belgium and those who jealously guard national sover aignty such as the UK and

The treaty contains suggestions for intensifying European co-operation on aducation, health and culture; but it sets clear limits against centralising tendencies in Brussels. The doctrine of subsidiarity devolving power to the lowest appropriate national and regional level - is a double insurance for member states. The hybrid nature of Maastricht also means that the European Community will still

exist beside the new European Union. Roughly speaking, Europeans should speak of the Union when referring to the "intergovernmental" pillars of foreign policy and judicial co-operation: but they should retain the more familiar "EC" or "Community" when refer-ring to normal EC business under the Treaty of Rome. The obvious winner among institutions is the European Parliament. Under Article 189b. it gains the right of "co-decislon" on legislation, to be shared with the council of min-

isters. This does not extend to

core areas such as foreign pol-

icy, defence, judicial co-operation or economic policy, rather

A senior Commission official predicts that the legislative struggle between EC ministers and parliament could make decision-making more difficult in the short-term. One analogy is the bargaining between House and Senate in the US, with the Commission playing the broker.

Other important changes foreshadowed by the Maastricht treaty include: · More qualified majority voting in social policy legislation. Britain has a treaty opt-out, but remains involved in discus

 The right of EC citizens to vote or stand as a candidate in local and European parliament elections.

• Establishment of "joint actions" in foreign and security policy, a code word for less reactive diplomacy rather than the dispatch of combat troops. Maastricht also provides for closer collaboration between the European Union and the Western European Union, the military organisation based in

Brussels The creation of a committee of the regions. This reflects the influence of the German Länder who were anxious not be left out in the cold; but it could again complicate decision-making if the new body

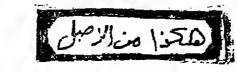
gains stature.
The one institution which will be literally cut down to size is the European Commission. Under Maastricht, the Commission should comprise the president (Mr Jacques Delors) and one or two vicepresidents only, rather than the current six "veeps"

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Yeltsin land law will attract foreign cash

By John Lloyd in Moscow

PRESIDENT Yeltsin's decreepermitting land to be freely bought and sold is likely to unleash a revolution in the Russian countryside and lead to large foreign investment However, ambiguities in the

law and action by officials hostile to land privatisation could delay or even halt its intended effect, hy preserving the power of state and collective farms and preventing peasants from selling their share of farms.

Mr Yuri Chernichanko, leader of the pro-market Peasants' Party, said the decree would be meaningless unless the state pushed through collective farm sales and supported individual farmers. Earlier decrees have cut subsidies to state farms, stopped

to obligatory grain sales to the state - causing state farm leaders to forecast a crisis unless they receive funding. The decree, by allowing farm workers to sell and buy land, gives an incentive to create private farms which could take over from the state enterprises. The decree appears to allow foreigners to buy land through

Mr Mark Borghesani of US said: "There is nothing in the law to prevent a foreign com-pany huying out its Russian partner after the joint venture has acquired land. This could lead to transactions in which the Russians would be nominal purchasers on behalf of the for-While the bulk of the decree

change the use from agricultural to commercial, Mr Borghesani said. "There is now definitely a growing demand for premises - including manufacturing bases on greenfield sites. Leases are now being signed with the option to buy later - in anticipation of the land law coming into force."

for agricultural use, one sec-

However, the decree will also spark afforts to protect the present system. The Agriculture Ministry has criticised the decree as ill-thought out and premature. A senior ministry official said: "Without a precise mechanism to control the land market and give permission to sell land, farm managers can do as they please and that

German far-right launches Euro-campaign



By David Waller in Rastatt

POLICE armed with machine guns stopped and searched cars as they approached the outskirts of Rastatt in south-west Germany yesterday. Helicopters buzzed overhead and hundreds of greenclad riot-police milled about the streets.

The reason was the gathering of the Republicans, one of Germany's most prominent farright parties and a disconcerting threat to the country's political establishment in next year's "election marathon", than 19 elections in Germany. Mr Franz Schönhuber, the former Waffen SS sergeant

who heads the party, to applause from 500-plus delegates declared the campaign for the election to the European parliament under way. His message, well-tempered small-husinessmen and retired

policemen and soldiers who

swell the party's ranks was that the Maastricht treaty on European integration was a "Versailles without war", an agreement which had sold Germany's interests down the river as effectively as the Treaty of Versailles which followed the First World War.

The German Volk had been denied the opportunity to vote directly on the issue, betrayed by Bonn's traditional parties in the same way that Germany's interest were betrayed by those in the political elite who put their seal to the Treaty of Versailles. The Republicans would be the only party to be campaigning in next year's Euro-pean elections on a clear anti-Maastricht ticket.

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Support for the Republicans in the electorate appears to have been tarred with the brush of skinhead violence against foreigners. But they only just failed to gain 5 per cent of the vote in recent elections in Hamburg.

US airline UK bans threatened Polish with strike carrier

By Richard Tomkins in Dallas

AMERICAN Airlines, the second higgest US carrier, faces the threat of a strike by its 21,000 flight attendants following the collapse of talks on a cost-cutting pay and conditions deal at the weekend. The strike could cause chaos

for US air travellers because it is set to begin on or before November 22, the Monday before the Thanksgiving hobday weekend - one of the busiest travel weekends.

The dispute casts a shadow over attempts by beleaguered US airlines to restore profitability through deals aimed at big cuts in labour costs. United Airlines is currently

trying to persuade its employees to agree to \$4bn worth of cuts in jobs and pay in exchange for a stake of up to 60 per cent in the ownership of the company.

American Airlines has been talking to its unions for a year about new conditions of employment that would cut labour costs by 20 per cent.

BRITAIN yesterday suspended flights by the Polish national carrier LOT to the UK following the hreakdown of talks over flight allocations between British Airwaya and LOT, writes Paul Betts.

The UK Department of Transport said LOT'a permit for air services to the UK was not being renewed because the airline had refused to honour existing agreements between the two countries.

the Polish transport minister, said the talks had broken down because BA was seeking to double the number of flights between London and Warsaw

ately refuse permission for BA flights to land in Warsaw but LOT believes an increase in

aper route via London to

But Mr Boguslaw Liberadzki, at least for a trial period. Poland would not immedi-

he warned it might do so at midnight tomorrow. BA flights to Warsaw would undermine its European and transatlantic business because engers might switch to the

the US and Canada.

Northern League set to take another bastion After decades of communist rule, Genoa is likely to fall to a regional party, writes Robert Graham

said that the reluctant to hny fridges hecause they helieved the Elections burning after

the door had been closed. They still have a reputation for being cantious and suspicious of change. But this might be about to change. On November 21, the Genoese, along with 445 other municipalities, vote for a new mayor and council. And there are signs of a growing disenchantment with the left-wing politicians who have run tha city throughout the post-war era.

Opinion polls suggest that Italy's sixth largest city could fall to the Ligurian League, one of the regional political groups belonging to the Northern League, a regional autonomy movement for Lombardy. Under the flery populist leadership of Mr Umberto Bossi, the Northern League has grown in recent years from a relatively obscurity to a party that has 40 per cent of the vote in the rich

wins Genoa, it would be the first proof that the league can appeal to voters outside its

Police arrest a young militant after scuffles with police

Lombardy heartland. The more garrulous league officials in Genoa read even more into the prospect of victory. "Winning Genoa gives a future Republic of the North its outlet to the sea," says Mr Bruno Ravera, one of the Ligurian League founders.

Since the second world war, the administration of Geooa has been dominated first hy the Communist Party and latterly hy its successor, tha Party of the Democratic Left (PDS). Grassroots support came from the trade unions, based in the port, steelmaking and engineering.

The appeal of the left has waned with the collapse of the Berlin Wall and the decline of Genoa's loss-making stateowned industries. Nine out of ten industrial workers are in the public sector and the city's economy has been undermined by recession and the drying up state subsidies to the port

hy ahout 1m. Genca's unemployment, at the elegant glass-structured

northern industrial belt. If it nearly 15 per cent, is double the average in northern Italy

and is worsening. Despite a magnificent setting, hugging the curves of low mountains that drop steeply to the sea, the city has an air of melancholy neglect. The infrastructure has been punished hy two consecutive years of

heavy flooding. The historic centre has been duhhed hy some the Cashah because of the 20,000 immigrants living there. Most are North African and and many are illegal immigrants. The area has been patrolled hy 500 police on 24-hour duty since riots last summer, the worst

racial conflicts seen in Italy.

Last year's celebrations for the 500th anniversary of Columbus's discovery of the Naw World occasioned an expensive renovation of the port and a brief recovery of local pride. But funds have run out to finish the city's metro rail network and it has emerged that the claimed "1.7m" visitors were inflated

Symbolic of Genoa's plight is

Sheraton Hotel, unopened because of lack of clientele.

As elsewhere in Italy, magistrates are investigating corruption in various public works contracts. The previous city administration was dissolved in May following accusations corruption against Mr

Claudio Burlando, the mayor. Although it seems a zealous magistrate may have overstepped the mark in having the mayor arrested, the accusations besmirched the previous administration. As a result 'clean honest government' is on the lips of all those in the electoral contest.

In an attempt to adopt new clothing, the left has formed a progressive alliance". The PDS has chosen to back an independent candidate for mayor, Mr Adriano Sansa, a well known local judge, and has obtained the support of the cross-party reformist grouping, Democratic Alliance, plus the Greens. Polls give Mr Sansa 38 per cent of the vote.

But the league has crept up, pushing aside the Christian Democrats and their allies, and now holds about 36 per cent of the vote. "This is a contest between the league and the PDS," says Mr Enrico Serra, the 59-year-old orthopaedic surgean who hopes to he the league's first mayor. "It's a

vote between the old and the Their platforms are remarkably similar: an emergency programme to deal with flood damage: reorganising the city administration; improving the crumbling infrastructure and renovation of the historic centre. But when it comes to emphasis and style, the differences are marked.

The league wants to look in detail at the books of the previous administration, believing there are L700hn (£290m) worth of questionable operations. We want to provide a transparent administration, that offers real services, and of course we will privatise as much as we can," says Mr Serra. The league will seek to prume the 16,000 workforce on

the city's payroll. Mr Sansa puts the emphasis on a more efficient use of resources and seeking new investment to create jobs. He cies hut is alarmed at the more extremist among the league who are demanding mass

Under new laws approved in March, mayors are directly elected and are able then to control the formation of the councils. If no one ohtains an outright majority in the first round, there is a run-off. In Genoa a run-off is very likely.

Although Mr Sansa is in the lead. It is not clear how he can hoost his support in the run-off without turning to the hardline marxists, Reconstructed Communism. In Genoa, they hold 9 per cent of the vote. In contrast the league will be looking in the second round to the centre, especially the

Two factors may tip the scales in the league's favour. The Genoese hlame last month's flood disaster on the failures of the previous city council, and the league is picking up protest votes among the self-employed and shop-keepers who are furious over the government attempts to tighten up on tax evasion.



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CREATING THE RIGHT CHEMISTRY



Crunch has come for S Africa's power-sharing constitution

Proposals look more like majority rule than National party supporters could have imagined, says Patti Waldmeir

vote Yes". That was the promise the ruling National party in South Africa made to its white supporters during last year's national referendum campaign: vote Yes for a constitution entrenching minority rights and preventing majority domination; vote Yes, and prevent

majority rule. Those who did, two-thirds of white voters, are in for a shock. The new constitution negotiated by the National party and the African National Congress, due to be finall-sed shortly, looks far more like a majority rule constitution than any National party supporter could

As promised, the constitution is based on multi-racial power-sharing in the executive, in the legislature, and between central government and the regions. But the share of power guaranteed to minorities is considerably less secure than that originally demanded by the National party. This could provoke a revolt among traditional party supporters and new recruits from minority communities, who may

That deal - on the first post-spartheid constitution, likely to remain in force until the end of the Within a week, ANC and National party negotiators expect to have finalised joint constitutional proposals which go to a technical committee for drafting. They will then try to sell that constitution to the right-wing Freedom Alliance, which so

far seems disposed to reject it.

It seems likely that parliament will endorse a new constitution within a month to six weeks, in time for the first all-race alections on April 27.

That constitution will enshrine a multi-party government of national unity for the first five years. But within that govarnment, the power exerted by the National party, standard-bearer of white and other minority interests, seems likely to depend largely on the goodwill of the ANC and of Mr Nelson Mandela,

Far from entrenching an effective minority veto over cabinet decisions on fundamental matters - long the National party's bottom line - President FW de Klerk appears willing which would have no constitutional force, under which Mr Mandela promises not to act on crucial issues without Mr de Klerk's assent.
The National party would have one further mechanism for blocking

majority decisions in cabinet: where

consensus could not be achieved

least 5 per cent of the vote would have proportionate cabinet representation), Mr de Klerk might not be guaranteed blocking power.
Government negotiators believe that the ANC and NP share common goals for the government of national unity, including agreement relations are very cordial) the sama cannot be said of much of the white alectorate. Nervous whites wonder whether cosy unwritten agreements between Mr Mandela and Mr de Klerk would survive a landslide

ANC election victory, and they question whether the spirit of

The power exerted by Mr de Klerk's party seems likely to depend on the goodwill of the ANC and Mr Mandela

on the need to restore stability.

Most of all, they believe assurances

informally within an inner cabinet of the main leaders, a vote would be

pass decisions in areas such as finance and state security has yet to be agreed: but the ANC is insisting it be 60 per cent, and National party negotiators say they may accept this. If they do, the party alone could probably not block cabinet decisions. Its share of cabinet seats would reflect the party's share of the national vote - current opinion polls put NP support at 12 to 20 per

Even voting with potential allies in the cabinet (each party with at

Mandela that the ANC does not think Itself capable of governing alone. So Mr de Klerk seems to be willing to abandon the rigid entrenchment of minority power in untary form of power-sharing which he thinks will give him more influence in fact, if not in law.

But if, after more than three years of constant negotiations, he and his officials have lost their fear of the ANC (government and ANC negotiators even shared bungalows at their recent busb summit, and

national unity which inspires the current negotiations will endure when the new government starts to take hard policy decisions. NP officials say they will sell the

constitution as a package which, taken together, fulfils the referendum promise of protecting minority rights and preventing majority abuse of power. They point to a bill of rights which substantially pro-tects individual economic and politi-cal rights against state abuse; and substantial devolution of power to regional governments, aimed at weakening central government and

its ability to dominate. But what Mr de Klerk has dubbed

a "federal" constitution in fact reserves very strong powers for central government. True, substantial powers are devolved to regional governments in areas such as education, policing, health, housing, welfare, but central government reserves the right to intervene in these areas to impose uniform national norms and standards, to ensure proper regulation, to protect the national economy or national

In short, the constitution authorises central government to intarvene in terms so vague as to under-mine regional antonomy, And with regions barred from imposing taxes without central government approval, it is hard to accept Mr de Klerk'a claim that the new state

will be "federal". In the end, tha best way to protect minority rights may be, as government negotiators claim, for whites to prove that they are indispensable to the new government. Officials believe they can build more power this way than by entrenching the minimum rights needed to survive. But success will depend on the number of white, coloured (mixed-race) and Indian voters willing to

take the same gamble. If minority voters desert the National party in droves, it will not have the electoral strength to claim the role agreed with Mr Mandela. Indeed, with white support for the party at an all-time low and attempts to muster block support going hadly, there is black support going badly, there is an ontside possibility that the NP could come third in a national election, behind the right-wing Freedom Alliance which includes the mainly Zuiu Inkatha Freedom party, the white supremacist Conservative party and the nationalist Afrikaner

Still, it is hard to imagine the Freedom Alliance surviving tensions between black conservatives and white racists long enough to fight an election together. At the moment, the greater risk seems to be that the Freedom Alliance could npposa elections altogether, and launch something to close to a civil wer. Alternatively, some members might choose to oppose the consti-tution but fight the elections any-

The next few weeks are crucial as the intentions of the Freedom Alliance become clear. At last, the

Jewish riots over murder of settler

THOUSANDS of Jawish settlers set Arab homes alight, stoned Arab cars, blocked roads and burnt tyres at the weekend in response to the murder of a Jewish settler by Islamic militants on Friday, It was the worst violence in the occupied territories since Israel and the Palestine Liberation Organisation signed their autonomy accord in Septem-

Spokesmen for the 130,000 Jewish settlers in the West Bank and Gaza Strip declared "a Jewish intifada" – an ongoing effort to disrupt Palestinian daily life throughout the occurried territories, as Palestinians had done in their years of uprising.

At a meeting in Jerusalem, settlement leaders agreed to continue blocking West Bank roads and disrupting Palestinlan traffic. They also demanded an apology from Mr Yitzhak Rabin, prime minister, over remarks in which he implied a comparison between the opponents of the autonomy accords on both sides - Hamas

Kenya

maize

abolishes

ished the government's maize

import and marketing monop-

across the country.

The decision, resisted by the

National Cereals and Produce

Board, appears to have been

prompted as much by the need

to placate donors as by a crop

failure this year. Mr Mot indicated that the government's

foreign exchange reserves were only enough to cover Kenva's

immediate emergency food needs, which be estimated at

200,000 tonnes. Long-term food

stability would depend on the efforts of Kenyans themselves.

US aid officials criticised Mr

Mol's announcement for not

including the deregulation of

price controls. Nevertheless.

the deregulation of the maize

trade marks a victory for IMF

and World Bank officials, who are currently in Nairobi

reform programme for Kenya's

donors' conference on Novem-

Previous attempts to reform

the sector have been resisted by tha NCPB, which has a

Sudan's President Omar

Hassan al-Bashir has eacked

Mr Abdel-Rahim Hamdi as

finance minister, Reuter reports from Khartoum. He

bad been closely associated

with tough economic reforms

welcomed by the IMF but

unpopular among Sudanese

because of price rises.

monopoly over maize trade.

and the settlers. Mr Rabin had stressed the need to stand firm against the "enemies among the Palestinians ... and the

opponents among the Jews". Mr Benjamin Netanyahu, leader of the main opposition Likud party, called the implied comparison "scandalous" and urged Mr Rabin to resign if his government could not properly protect the settlers. There were similar calls at yesterday afternoon's funeral of Mr Haim Mizrahi, the settler who was abducted and stabbed to death by Hamas militants.

Mourners carried signs saying "Death to Hamas", condemned the government over last week's release of hundreds of Palestinian prisoners, and called for the scrapping of the autonomy programme.

Also on Friday, Palestinian gunmen shot dead Mr Ahmed Oudeh, a West Bank Palestinian land dealer who was said to have been selling Arah land to Jewish settlers. Yesterday in the Gaza Strip, an Israeli shot dead a 21-year-old Palestinian, Mr Tamer Zeyara, who had stabbed him in the hand and back, apparently in an argument over work.



Police arrest a young right-wing demonstrator outside Rabin's Tel Aviv home over the weekend

pact on output

monopoly IRAN said yesterday that the Organisation of Petroleum By Leslie Crawford PRESIDENT Daniel arap Moi Exporting Countries would of Kenya at the weekend abolhave to re-examine its Septem-

oly, a reform demanded by recover, Reuter reports from donors who meet this month to "If the price weakens fur-ther, there should be a new hear Kenya's plea for restoration of international aid. The liberalisation of the discussion on the ceiling," Mr maize trade allows private traders to import the staple crop and distribute it freely

Gholamreza Aqazadeb, oil minister, said in a statement. "If this [current] ceiling does not lead to stronger prices, there should be a revi-

ber ontput agreement and cut

its ceiling if oil prices did not

It was believed to be the first open statement from within Opec that the agree-ment, which set a ceiling of 24.52m barrels per day for October to March, might need revision.

Opec members bave looked in dismay as the market has chipped tens of millions of dollars off their collective daily

North Sea Brent prices fell below the \$16 per barrel level on Friday. The price for December delivery closed in London at \$15.80.

Algerians free French hostages

Algerian security forces have secured the release of the tbree French hostages kid-napped in Algiers a week ago, Reuter reports from Algiers. The Algerian and French governments did not immediately say how or where Mr Jean-Claude Thevenot and Mr Alain Freissier were found. As the two men arrived back in Parls last night Mr Alain Juppé, French foreign minister, said the third, Mrs Michèle Thevenot, was at the French embassy in Algiers.

Opec may Critical week in N Korea nuclear inspection row

By John Burton in Seoul

A TURNING point may be reached this week in a looming crisis over the international inspection of North Korean nuclear facilities. North Korea is under grow-

ing pressure to allow Inlernational Atomic Energy Agency inspectors renewed access to lts nuclear facilities at Yongbyon since the agency's monitoring cameras are expected to run out of film soon. Pyongyang recently broke off

negotiations with the IAEA on the inspection issue, claiming tbe agency was blased. Mr Hans Blix, the IAEA director-general, is due to report on the North Korean nuclear issue to the UN General Assembly today.

He is expected to say North Korea is hampering the agency's ability to verify that Pyongyang is adhering to the nuclear safeguards accord, but to stop short of declaring that the continuity of inspections has been broken.

The General Assembly is then expected to debate a resolution urging Pyonyang to continue IAEA inspections. This could eventually set tha stage for the UN Security Council to consider the question of imposing economic sanctions on North Korea for

tions under the nuclear nonproliferation treaty (NPT). But China has recently indicated that it would block a sanctions resolution, while Russia and Japan are also

failing to carry out its ohliga-

The US has been holding discussions with North Korean representatives at the UN in New York since mid-October to persuade Pyongyang to allow resumption of the rontine IAEA inspections that began

North Korea is seeking an end to the Team Spirit military exercise, which is held annually each spring in South Korea by the US, in return for allowing the entry of the IAEA inspection team, according to South Korean officials.

But the US wants North Korea to accapt the IAEA inspectors and arrange a meeting of presidential envoys with South Koraa before the 1994 Team Spirit manoeuvres are

Chinese shot in corruption purge

By Tony Walker in Beljing

CHINA executed seven officials over the weekend, including the mayor of a small town in sonthern Henan province, as a nationwide anti-corruption drive gathered pace. Dozens of bureancrats have been shot recently for crimes ranging from bribe taking to extortion and embezzlement.

People's Daily, the Communist party newspaper, hailed the executions as "another achievement" for the party and the "entire Chinese peo-

"To severely punish corrupt leading officials according to law is absolutely necessary for ensuring the purity of our party and state power, main-taining social stability and promoting the establishment of a socialist market econ-

omy," the paper said. China launched its anti-corruption drive several months ago in the face of widespread grumbling among citizens about official graft and bribetaking. The campaign has teristics of a national crusade led by a Communist party desperate to shore up its public

Members of the Standing Committee of China's parliament, the National People's Congress, meeting at the weekend, charged that "corruption had reached an alarming rate in China, damaging the Party style and harming the image of the party and the govarnment. It had also eroded social conduct".

Mr Li Ligong, a Standing Committee member, urged that the anti-corruption campaign should be carried out regularly and be institutional-ised. "The masses should be fully mobilised to inform on offenders," be declared.

According to China's prose cutor general, corruption is rife among Communist party officials. He reported to parlia-ment last week that in one out of 10 criminal cases investigated in the first nine months of this year, offenders were Party or government officials. By September, 5,040 party

and govarnment officials. including 20 at department or city level, and one at vice-ministerial level, were charged with committing crimes such

India furious at US remarks on Kashmir status

in New Delhi

A DIPLOMATIC row has erupted between the US and India about an American State Department official's remarks questioning the status of the troubled northern Indian state of Jammu and Kashmir.

India has reacted angrily to the official's comment last week questioning the validity of Kashmir's accession to India in 1947. The row comes at a sensitive

time with the slege of the Hazratbal mosque, Kashmir's holiest shrine, antering its third week. Hundreds of Indian troops surround the mosque. which was seized by separatist Moslem militants on October Efforts to negotiate a settle-

ment and secure the release of an estimated 100 to 150 pilgrims trapped inside the mosque have repeatedly found-ered over the militants' demands for safe passage. The Indian authorities want them to surrender.

If part of the militants' plan was to focus international attention on their fight to break away from India, they have succeedad. Pakistan, India's hostile neighbour which claims Kashmir for itself, has protested about the mosque siege. The issue was at a sensitive time.

raised at last month'a Commonwealth heads of government meeting in Cyprus. Now the US official's comments have prolonged the interna-

Tha official - Miss Robin Raphael, an assistant secretary of state - said at a press con-ference last Thursday. "We view Kashmir as a disputed territory and that means we do not recognise the instrument of Accession as meaning that Kashmir is for evermore an integral part of India. There were many issues at play in that time frama as we all

Miss Raphael was referring to the controversial way in which the last Maharajah of Kashmir acceded to India.

Indian ministers at the weekend rejected Miss Raphael's remarks angrily. Mr Dinesh Singh, the minister for external affairs, said no one had the right to question the status of Kashmir as an integral part of

US officials insist there has been no change in American policy. They point nut that Washington has long regarded Kashmir as "disputed terri-

However, it does seem that Miss Raphael committed a gaffe in repeating Washington'e view in strong language

Airbus loses \$590m Sri Lanka order

By Paul Betts,

THE Sri Lanka government is to cancel an order for five Air-bus A840 long range aircraft worth \$590m (£391m) for its national airline Airlanka. The decision is a further

blow to the European Airbus consortium which has suffered more cancellations so far this year than new aircraft orders. The current prolonged recession in the commercial airliner business has prompted a call

from Mr Jean Pierson, the Airbus managing director, for a reform of the consortium's structure to increase its overall competitiveness. It won only 23 new orders during the first

nine months of this year. Mr Ranil Wickremasinghe, the Sri Lankan prime minister, said in a weekend newspaper interview in Colombo that the government had informed the World Bank of the decision to cancel the A340 orders.

The original purchase had been criticised by the bank and Sri Lankan opposition leaders as extravagant. However, Mr Wickremasinghe said the government was open to renegotiating a contract with Airbus-"if conditions are acceptable". Airbus officials are understood to have met Mr Sepala

Attygalle, Airlanka's chairman, last week to discuss the possibility of a more favourable contract for the airline.

Sweet and sour tastes in colonies rejoining China

Good relations over Macao contrast with friction over Hong Kong, writes Simon Holberton

FFICIAL visits are a time for gilding lilies, but the contrast between Macao, the Portuguese colony which reverts to Chinese overeignty in 1999, and Hong Kong could not have been greater.

At the weekend Chinese govern-ment officials were falling over themselves with praise for Portugal and its President Mario Soares, who concluded a three-day visit to the colony

Mr Guo Doogpo, the head of China's Xinhua news agency, Beijing's de facto representative in Macao, praised the good relations between the two countries, His colleague Mr Guo Jiading, who leads the Sino-Portuguese Joint Liaison Group overseeing the transition, said the two sides were in complete agreement about matters relating to the transfer of the colony.

That cannot be said for Hong Kong. which an hour away hy bydrofoll lies on the western side of the Pearl River

estuary. Talks between Britain and

China about Hong Kong's political development are mired. Over recent days British officials have let it be known that, if there is no movement from China towards a compromise. talks may break down as early as next month.

Portugal's position on its south China coast colony has always been different from Britain's. While Britain took Hong Kong from China in 1842 following the first Opium War, Beijing has always tolerated Macao and has always exercised much greater political influence over Macao.

Settled in 1557, the two islands and peninsula which constitute the colony were accepted by the Ming and Qing emperors who, for reasons of trade, allowed the settlement to flourish. So, too, have China's Communist rulers. When the socialists took power in Portugal in 1974, it was the Chinese ernment which had to persuade the Portuguese to stay. As with Mozambique and East Timor, Portugal's new government wanted out and quickly.

A secret deal between the two was concluded in Paris in 1979 whereby Portugal agreed that Macao was sov ereign Chinese territory and agreed to administer it until China wanted it back. This agreement was revealed only in 1987, when the two agreed that Macao would revert to China in

Over the weekend Mr Soares sought to bolster confidence in the colony, saying that ha had full confidence in Macao's future under Chinese rule. Although the crowds flocked to see the Portuguese president, few among the Chinese community will mourn the passing of Portuguese administra-

Earlier this year a Cantonese talkback radio show was summarily taken off the air after many of the callers rang in to criticise the Portuguese administration. Businessmen find the colonial government unneces-

sarily bureaucratic. "I try to have the least to do with the government as possible," said one, adding ha preferred to cut deals with mainland

One of the faw areas of conflict between China and Portugal is over the issue of localisation of the civil service. Little has been done to date, possibly reflecting the fact that the overnorship of the colony and the top posts in government are rewards given by Lisbon to loyal supporters at

China's involvement in Macao's economy is every bit as great as possibly greater than - its role in
tiong Kong's economy. An attraction
for many mainland officials and businessmen is thet Macao has no pub-licly quoted corporate sector, reliev-ing them of the irritant of disclosure. According to one western banker in tha colony, the mainland Chinese business interest in Macao is dominant. "They have a very solid pres-

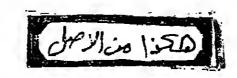
ence in Macao and a very influential one," he said.

Bank of China is the largest bank, controlling about half the banking ssets in the colony. Xinhua, unlike its opposite number in Hong Kong, is highly visible and active in business,

especially trading and property devel-As in economy, so too in politics, where Beijing holds the whip hand. Elections last year for 16 of the Macao Legislative Assembly's 26 seats saw a virtual clean sweep for pro-Beijing politicians. There is little popular agi-

is in Hong Kong. Underlining Beijing's position in Macao is the power of the head of Kinhua. Since the Cultural Revolution of the late 1960s he has been de facto governor of the colony. Last year his status was upgraded. Mr Guo. Dongpo no longer has to report to Beijing through the head of Kinhua in

tation for greater democracy, as there





Westminster Bridge



Victoria Railway Bridge



Waterloor Bridge



Battersea Bridge



Chelsea Bridge



Tower Bridge



London Bridge



Blackfriars Bridge



Southwark Bridge



Vauxhall Bridge



Lambeth Bridge



Serpentine Bridge



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Military aim Banking for the people down Mexico way to tighten grip in Haiti

HAITI'S military leaders, who successfully defied international efforts to have exited President Jean-Bertrand Aristide reinstalled on Saturday. plan to consolidate their rule by making Mr Aristide constitutionally redundant.

Parliamentarians and businessmen who supported the military which overthrew Mr Aristide two years ago, say that hy falling to return the president has defaulted on a United Nations-brokered agreement which he signed in July.

Mr Aristide's opponents plan to replace him with a provi-sional president, and then to call a presidential election. In Port-au-Prince, Haiti's capital, armed men in plain clothes, widely held to be an unofficial arm of the police, fired guns in the air on Saturday, celebrating the president's failure to

Mr Aristide's return has been frustrated by the military leaders' refusal to step down in keeping with the July agreement. They also refused to provide protection for parliamentarians supporting the president, thwarting attempts to pass amnesty legislation which

the military demanded.

The military's new ploy is likely to force the UN to take stronger action than the embargo on oil and arms shipments implemented a fortnight ago to force the military leaders to step aside. Mr Aristide, who says the UN agreement is still valid, asked the UN last week to tighten the embargo. The UN Security Council

said on Saturday it was insisting on complete compliance of the agreement for Mr Aristide's return to office, and threatened to tighten sanctions. The Security Council condemned General Raoul Cedras. Haiti's military leader, for violating the agreement.

Mr Robert Malval, the prime minister appointed by Mr Aristide, has hacked away from a declaration that he would resign if the president did not return by Saturday. He now says he will stay in office to fight for Mr Aristide'a

Iraqgate affair official dies in Washington

By Alan Friedman In New York

MR Frank Lemay, the US State Department official who warned the Bush administration that Iraq was misusing US government-backed loans to fund its nuclear weapons project, has died in Washington at

Mr Lemay, who succumbed to complications from Aids, last year testified about the Iraqgate affair before the House Judiciary Committee. His testimony spurred congressional calls for a special prose-

gress after Democratic legislators revealed a 1989 memorandum of his in which he reported that funds from the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL) were being diverted by Baghdad for its war machine.

The Lemay memo said: "If smoke indicates fire, we may be facing a four-alarm blaze in the near future." The memo was considered so sensitive that it was stamped "not for the system" when it reached aides to Mr James Baker, the

PROPOSALS for a North American Development Bank, andorsed last week by the Clinton Administration, will create an

institution with "the most transparent and democratic structure in the history of development banking. according to Mr Raul Hinojosa, who helped draft the plan. The bank, intended to ease US-Mexi-

can problems stemming from the North American Free Trade Agreement, seeks to "avoid all the problems of the marble palaces" which house other development banks hy sharing building space with the Inter-Ameri-can Development Bank. To curb any expansive new hureaucracy, it will also get technical aid from the IADB. Nadbank will not only finance environmental and infrastructure projects but also fund enterprises in communi-

ries have moved to Mexico. The blueprint for Nadbank gives labour, environmentalists, and church and civic groups an unprecedented voice in the institution's affairs. Along with husiness and government

ties hit hard by Nafta. The Clinton

Administration can argue that with-out Nafta, there will be no lending

institution to aid towns whose facto-

Nancy Dunne on democracy in the planned Nafta bank

representatives, they will be Clinton campaign and transition ties in Mexico and the US. appointed to serve on the bank'a advisory and review committee "to pro-vide input and guidelines at all stages

of the loan granting process."

The US and Mexican governments each will appoint three representa-tives to the bank's hoard. But they will also have to deal with an ombudsman, appointed by the advi-sory committee, to provide indepen-dent inspection of Nadbank's operations. Conservatives are likely to visw with distaste adding "another level of hureaucracy" to involve the bank's clients. Mr Hinojosa acknowledges that democratisation may slow operations but "it will be well worth it, if it means providing more effective proposals from grassroots up rather

than top down."

A visiting scholar this year at the IADB, Mr Hinojosa has worked on the Nadbank blueprint for two years with two economics professors from the University of California at Berkeley, Mr Sherman Robinson, now on the Council of Economic Advisers, and Mr Albert Fishlow. All three toiled in the team, determined to promote "an alternative vision of what Nafta should be about," said Mr Hinojosa.
Liks other development banks, Nadbank will undertake a leveraging of its resources far beyond its paid-in capital - \$225m each for Mexico and the US. Callable capital - that which each country promises to provide on demand - will be \$2.55bn.

Up to \$6.5hn in funding will also come from other US government programmes such as the Small Business Administration and Farmers Homa Administration. Other funds will coms from the World Bank (\$1.8bm), the Mexican government (\$2.2bm) and the Inter-American Development Bank (\$200m). More will come from issuing bonds on the capital market, so that total project financing with private leveraging is expected to be \$30hn or more.

The bank's initial priority will be financing environmental and development projects along the border. But two other facilities will provide up to \$200m each to non-border communi-

Announcement of Nadbank was applauded by pro-Nafta environmental groups. Mr Peter Berie, president of the National Audubon Society, said it would be "more flexible and its mission broader in scope" than a border clean-up fund, originally proposed hy the Administration.

With Nadbank not only will water infrastructure projects be funded hut important issues such as housing displacement of agricultural workers and general readjustment funding will now be addressed." he said.

The Administration's endorsement of Nadbank was particularly a tri-umph for California Congressman Esteban Torres, but it was a painful victory. He and other Hispanic leaders had been pushing the concept for months as part of the price for their support of Nafta. When the deal was done, he received a visit from a large group of old friends in the labour movement, who beseeched him not to endorse Nafta.

But Mr Torres also felt the pull of his Hispanic-based constituency, which is torn over Nafta between job loss worries and a pride that Americans and Mexicans have sat

down to the bargaining table and cut a deal as equals.

This new-found respect has got to help improve the image and prestige of Hispanic Americans," said Mr Raul of Hispanic Americans, sand are taken Yzaguirre, president of the national council of La Raza, the nation's largest Hispanic organisation and one of the three Hispanic groups to endorse

Mr Yzaguirre spoke of the pact'a potential for turning his community's potential for turning his community's liabilities into assets. "For perhaps the first time in my lifetime, being bilingual in Spanish and English will be an advantage, rather than a disadvantage in the labour market and in the expansion."

the corporate boardroom." Nadhank was expected to bring a number of the 18-member Hispanic caucus to the Nafta side in the House, but last week it was Mr Torres alone who announced his support. The others could be holding out for more Administration favours, as Nafta supporters say, or they may find that even their dream development bank is not worth the risk of losing their

Venezuela gas blast arrests

A Venezuelan criminal court judge issued warrants at the weekend for the arrest of 19 people, including executives of GTE and AT&T in Venezuela, as part of an investigation into a gas pipeline explosion out-side Caracas that killed about 50 people, writes Joseph Mann m Caracas

The explosion on September 28 occurred allegedly when an excavating machine digging a trench for fibre-optic cable struck an underground natural gas pipeline. CANTV, the privatised talecommunications company run by a consortium headed by GTE of the US, contracted AT&T Andinos to lay the fibre-optic cable.

AT&T sub-contracted a Venezuelan company, Abengoa, to carry out the work. The pipeline is operated by Corpoven, a subsidiary of the national oil company PDVSA. No one has accepted responsibility.



Jesse Jackson, left, at a weekend rally embraces David Dinkins

Argentine minister visits UK

By John Berham in

ARGENTINA'S foreign minister, Mr Guido di Tella, begins a three-day official visit to Britain today, the second by an Argentine minister this year and an indication of rap-

idly improving ties. He will see Mr John Major, the prime minister, Mr Michael Heseltine, trads and industry secretary, and Mr Douglas Hurd, foreign secretary. He will also meet opposition politicians and business leaders. In September, Mr Domingo

Cavallo, economy minister, made the first official trip to Britain by a minister since the 1982 Falklands war. Three British cabinet ministers have visited Buenos Aires this year. Relations began improving after President Carlos Menem

took office in 1989 and adopted pro-western foreign policies and free market economics. However, the unresolved dis-pute over the Falklands means that Mr Menem is unlikely to he trivited to London soon. Mr Di Tella is trying to win over the Falkland islanders by tina has changed for the better. He has met Falkland representatives and broadcast to the islands via the BBC World Service. But suspicious Falklanders reject his advances and Britain refuses to discuss the islands' political future.

The two sides have agreed on other questions, principally fisheries, the Falklands' main source of revenue. Mr Di Tella will sign a new one-year fish-

ing agreement. However, Britain refuses to lift its arms embargo preventing Argentina from replacing

British Steel in Indiana contract

convincing them that Argen-

BRITISH STEEL has won its first overseas contract for a ploneering technology that reduces the amount of coke needed in blast furnaces,

writes Andrew Baxter. Bethlebern Steel, one of tha largest US steelmakers, is to install a system for injecting

blast furnaces at its Burns Harbor plant in Indiana. The technology has been in use at British Steel's Scunthorpe works for about 10

making by up to 40 per cent. Simon Macawher, the Doncaster iron and steelmaking equipment supplier, will make and install the equipment at Burns Harbor. British Steel will movide training operating

then secretary of state.

Banking on a cure for Japan's sick economy

MR YOH KUROSAWA, president of The OECD forecasts that the Japanese Industrial Bank of Japan, is unusually willing to criticise Japan's policymakers. in an interview in yesterday's Observer newspaper published in London, he attacked the government for failing to take sufficient measures to boost Japan'a ailing economy. He called for a Y10,000bn to Y15,000bn (£62bn to £93bn) income tax cut - the government is rumoured to be

considering a Y5,000bn cut - and a further half point reduction in the official dis-But Mr Kurosawa's words, like the Japanese economy, are difficult to read. While the IBJ president's policy prescriptions are bold, they do not step too far outside the consensus: fiscal policy is still the preferred option for reviving Japanese growth, both in Tokyo and among Japanwatchers in tha US Treasury. Yet, up to now. Japan's fiscal activism has not had much success. Three fiscal packages over the past year have consumed Japan's gen-

eral government budget surplus, but they

have not produced an economic revival.

economy will not grow at all this year, industrial output and retail sales are atill registering year-on-year falls and broad money growth remains sluggish.

A year ago, the focus of policymakers was on the unhealthy state of Japan's banking sector. Excessive lending to property companies by the banks and their non-bank subsidiaries in the late 1980s. followed by the collapse of the stock market and property prices, had left the banks with substantial non-performing loans. Official government figures said the bad debts of the leading 21 banks totalled Y13,300bn, slightly less than in the US when bad debts reached their peak and much less than in the severely indebted Scandinavia. But Tokyo bankers acknowledged that the truth was much worse: counting in the debts of non-bank subsidiaries, and adjusting for Japan's more restrictive bad debt definition, suggested a total three to four times the official level. Mr Kurosawa, in conversation a year ago, was deeply troubled by the likely

effect of these bad debts on bank lending. He handed over a copy of a speech which he had given in the US at Cornell university the previous week. His speech praised the idea of setting up an agency to pur-chase these bad debts and called for public funds to speed its work. There was, it acknowledged, opposition to the use of public funds. But Japan would not ignore the fact that public money had been used successfully both in the US Savings and

Loan bail-out and in the UK in the early

But, in the intervening week since his speech was delivered, Mr Kiichi Miyazawa, the then prime minister, had been strongly criticised for suggesting that public funds should be used. At the interview, Mr Kurosawa was adamant that the loan buying agency should not receive public funds. Nor has it. Not surprisingly, the results have been disappointing: between February and the end of September. it purchased non-performing loans with a face value of just Y1,050bn. Japan's banks, due to report healthy half-yearly operating

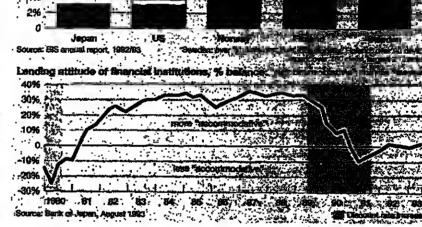
profits at the end of this month, are using these profits slowly to write off their nonperforming loans.

Now the Japanese economy is, in the words last week of Mr Toshihiko Fukui, a Bank of Japan director, in "a protracted and deep adjustment phase". Survey evidence suggests that despite falling interest rates, Japan's banks remain unusually unwilling to lend. Outstanding loans by the 11 top commercial banks fell 0.5 per cent in the six months to the end of September, the first half-yearly fall since the

survey began 39 years ago.
Of course, the troubled state of many
Japanese manufacturers is a second reason why Japanese credit growth remains so slow. But, even if their demand for credit revived, Japan's indebted banks are likely to remain unwilling to lend for some time. Unless, that is, the Bank of Japan provides funds to speed the liquidation of these bad debts. For, as Mr Kurosawa knows, tax cuts alone will not do the trick.

Edward Balls

years. Cokemaking is a capital-intensive and environmentally sensitive process, but granular and technical assistance in the early production phase and injection reduces the amount of coke required for iron-Two views of Japan's banking crisis Officially recorded non-performing loans of commercial bunks, 1992 (see % of folias)



INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

UNITED STATES JAPAN WINTED KINGDOM 100.0 103.4 107.4 110.5 114.1 123.5 130.5 128.2 100.0 102.4 104.5 107.6 109.5 110.1 109.7 108.6 102.5 108.2 108.7 114.3 114.0 107.8 108.8 108.4 100.0 136.4 148.4 164.6 218.7 261.1 270.7 260.2 102.2 107.0 108.4 112.5 111.0 106.9 112.3 117.4 100.0 98.0 106.5 106.1 99.3 84.6 62.2 60.4 100.0 106.5 113.8 122.9 132.5 141.5 144.8 139.9 96.1 105.2 118.4 122.6 125.8 123.7 122.0 121.9 100.0 101.1 103.1 107.3 111.3 112.9 113.2 113.1 100,0 106,8 112,1 108,0 118,8 114,3 110,9 116,3 100.0 96.7 103.1 112.9 119.9 125.5 128.4 120.9 100.0 94.3 108.3 135.9 147.0 149.8 144.2 124.2 100.0 102.2 102.8 106.3 111.4 117.2 120.7 118.1 105.1 105.1 106.2 112.3 115.2 115.9 113.2 107.1 100.0 107.2 117.7 134.9 161.1 163.0 127.7 111.4 100.0 104.1 106.8 114.2 118.7 118.0 115.4 113.9 100.0 106.9 110.7 117.9 120.1 121.1 118.9 120.5 100.0 116.1 141.2 144.3 124.7 98.1 68.8 70.0 1985 1985 1987 1968 1969 1990 1991 10.3 10.4 10.5 10.0 9.4 8.9 8.6 10.4 7.1 6.4 6.2 8.2 5.6 4.8 4.2 4.5 5.9 3.7 5.3 4th qtr.199 117,4 117.6 117.5 115.3 115.5 106.2 233.1 213.4 209.3 195.3 61.8 62.2 63.7 66.0 -5.5 -5.8 -6.0 106.4 104.4 105.1 106.4 9.3 8.1 10.5 10.2 1.6 3.3 3.0 3.9 0.7 1.9 2.7 71.7 73.7 74.3 77.5 5.5 5.7 6.5 4.9 3.0 4.7 5.9 5.9 5.9 2.3 3.2 4.0 4.8 4.4 4.3 3.9 4.2 3.7 4.0 4.5 60.8 62.4 62.3 60.4 63.5 62.8 65.0 63.1 65.6 96.7 115.4 117.1 117.4 118.3 118.0 117.8 117.3 117.8 117.5 118.1 118.4 -5.7 -8.5 -7.9 -7.9 -5.8 -2.0 -4.1 -4.5 -4.5 -2.5 -5.1 242.0 232.3 224.2 215.7 212.8 210.2 211.8 206.5 206.8 203.5 196.1 185.4 107.9 107.2 108.4 106.5 106.1 104.4 105.0 105.6 105.1 104.9 106.4 0.5 -3.1 -5.3 -2.5 -3.0 -3.5 -4.9 -2.9 10.8 10.7 10.9 10.9 11.0 11.2 11.4 11.5 11.6 11.7 68.9 71.2 74.9 73.1 73.2 74.8 75.0 75.1 72.7 77.5 77.5 77.3 1.7 0.1 0.3 1.9 2.2 1.4 1.1 4.4 2.6 3.0 2.8



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Meridiana

the province.

cal initiative nn which they

have embarked can avoid the

Brussels renounced terrorism,

place at the negotiating table

for those who used violence to

further political aims, and

underlined the central role of the Ulster constitutional par-

This might seem to represent no more than a statement of

the obvious, but the very fact

message – that Mr Major and

Mr. Reynolds ware ready to expend political capital in a

resumed effort at permanent peace, and that in the process both were prepared to own up

.The Dublin government was now ready to remove what Mr

Major saw as two of the most

foremost obstacles to peace. As

to some obvious realities.

of its release sent an important

ties in any settlement.

so many of its precursors.

Record company loss blamed on 'style'

By Richard Gourley

MR ANDREW COPPEL, chief executive of Queens Moat Houses, yesterday laid the blame for a £1.04bn pre-tax loss last year at the hotel group firmly on the manage-ment style, which may have left its board seriously short of information it needed to monitor the group's health.

Mr Coppel refused to exonerate the non-executive directors, who have been criticised for failing to see the unfolding crisis which led to the year's largest corporate failure. Mr Cuppel stressed that

Queens Moat would have had to refinance its debts even without the £803.9m writedown on the value of the hotel group's properties which was the main factor behind the loss. The real problem was that the company made nn trading profits in 1992 with which to pay a £100m interest

The company's new manage-ment is considering legal action against its former advisers and directors, possibly over allegedly unlawful

payments of dividends.
Investors in Queens Moat, are this week likely to quesfinn the property valuations which are the main reason for the loss. A valuation concluded by Jones Lang Wooten in August for the new board valued Queens Moat's properties at £861m on December

Only five months earlier, the group's formar valuers, Weatherall, Green and Smith, had produced a draft valuation of £1.35bu for the same assets. WGS had valued the group's properties at £2bn in early

> Both valuations fullnwed guidelines laid down hy the Royal Institution of Chartered

Queens Moat is entering what are likely to be protracted talks with its bankers and hopes to produce a refinancing package by tha end of January 1994. If accepted the plan would go before shareholders and only then would the shares be considered for re-listing.

Dublin and London try to fill vacuum HE MEETING last Friday between Mr John Major and Mr Albert

Philip Stephens on steps towards an Ulster peace



Greiving relatives console each other in Greysteel after Saturday night's bombing

North and South.

to remove from the Irish constitution its claim to jurisdiction over the north, and the Republic would recognise explicitly the veto nyer change in the province exercised by supporters of the Union.

For his part, Mr Major will now state publicly what has always been nhvious hut never admitted so explicitly by a British government: that if the IRA ceased its military cam-paign a place would be found at the negotiating table for Simn Fein, its political wing. Behind the scenes, the British prime minister has acknowledged also that the quid pro quo for changes in the Republic's constitution would be a significant increase in adminis-

Over the next few weeks the two governments will seek to

huild on that agreement, starting at the meeting on Wednesday between Mr Dick Spring, the Irish foreign minister, and Sir Patrick Mayhew, the Northern Ireland secretary. Mr Major and Mr Reynolds will seek to strengthen it further at a UK-Irish summit in Duhlin within six weeks. The aim is to create an atmo-

sphere which will persuade the constitutional parties - above all the unionists - to return to the negotiating table and thrash out an internal political settlement.

Reassurance for the unionists ran thrnugh the Major-Reynolds statement: in the

But if the logic of a London-Dublin accord providing a catalyst for the restart of talks

broad measure of agreement on strands one and two as an

umbrella for strand one.

between the parties in the province is obvious enough, its chances are precarious. The unionists, their self-importance bolstered by Mr. Major's reliance on their votes

at Westminster, must be per-suaded that it offers something better than the status quo. Mr James Molyneaux, leader of the Uister Unionist Party, is now the most important player in the game. Without a positive response from him the latest initiative will go nowhere.

Mr Hume, hadly bruised by the rejection of his initiative. mus: also be brought back within the intergovernmental process. Mr Hume remains as convenced as ever that a cessa-

tion of violence by the IRA without which any settlement will fail to prevent more bloodshed - is within reach if Mr Major is prepared to listen carefully to the ideas to which Sinn Fein has put its name. He has staked too much on his talks with Mr Adams to withdraw quietly now.

Yet British officials suggest that the picture beneath the surface is not as bleak as the familiarly unpromising rbetoric of Lister politicians sug-

Mr Molyneaux has remained silent. If he were to offer to return to the negotiating table, hoth Mr Hume and Mr lan Paisley, the leader of the Democratic Unionist Party, would find it hard not to join him. The good intentions might this time offer at least a start on

Britain in brief



EC talks on new code for statistics

Measures to improve the European Community's new system of collecting trade statistics are to be discussed next week hy government officials from the UK, France, Germany and the Netherlands.

Pressure for the meeting has come particularly from the UK, which is concerned that the method of collecting data introduced at the beginning of this year may he giving an inaccurate view of economic trends.

UK officials are particularly worried that the problems may also he affecting the collection of non-EC trade data and so distorting perceptions about the whole-world trade deficit.

BR sell-off rules changed

The government has given way to pressure to extend the length of time for which it will grant franchises for parts of the soon-to-he privatised British Rail network, it emerged

yesterday. Bidders could be awarded franchises for as long as 15 years, twice as long as previously expected, Mr John Mac-Gregor, transport secretary

The sbort duration of the franchises, which had previously been expected to run for only five to seven years, has acted as a disincentive to private bidders.

Output up on September

Manufacturing ontput expanded in October, at a faster rate than in the previous month, and with particularly buoyant growth in consumer industries. The purchasing managers index, an early indicator of manufacturing ontpnt trends based on a survey of purchasing managers, indicated an

expansion of manufacturing activity for the ninth consecutive month. The index - based on a weighted average of five survey variables - rose from 51.7 per cent in September to 53.6 per cent in October.

ERM not seen as export spur

Two-thirds of British exporters do not helieve their export sales would benefit if Britain were to rejoin the European exchange rate mechanism, according to a survey published by the Barclays Commercial Services and Export Times. However, more than half think that greater European integration will help

increase exports.

A majority of exporters also believe that allowing the newly oemocratised east European states to join the EC would improve their sales abroad.

Fishermen to contest rules

UK fishermen today go to the government legislation that will restrict the number of days they can spend at sea

from January.
The National Federation of Fishermen's Organisations, representing 6,000 fishermen in England, Wales, Northern Ireland and the Channel Islands, is applying for a judi-cial review of the restrictions, which they say could destroy

their livelihoods. The government is introducing the limits as part of its ohligation under EC fisheries policy to reduce the capacity of the UK fleet by 19 per cent by the end of 1996 in order to halt overfishing. It is also running a £25m decommissioning programme and tightening np on licensing of vessels.

Executives in City Pride

Business executives in London, Birmingham and Manchester are to be asked to belp draw up regeneration plans for their cities as part of government reforms on urban policy to be announced later this week.

The City Pride initiative will hring together husiness, government, local authorities and the voluntary sector in a new partnership.

part of an overall settlement, Mr Reynolds would he ready to ask the voters of the Republic Guide to various peace processes on Ulster

By Tim Coone in Dublin

IN the initiative launched by Mr Major and Mr Reynolds, Dublin has accepted that an overall settlement would involve an end to its territorial claim on the north and recognition of the union-ist veto on change in the province.

The UK accepted an increase in crossborder co-operation and the possibility of Sinn Fein entering talks if the IRA laid down its arms.

The six-point plan set out last week by Mr Dick Spring, the Irish foreign minister, paved the way for the initiative. The six-points were.

that people in Ireland, without coercion and without violence, should be free to determine their own future; that new structures should be developed for governing the province, for north-south relationships and for UK-

Irish relations; • that no agreement can be reached on any change in the status of Ulster without the freely-expressed consent of the majority in Ulster;

• that unionist consent will be required for any constitutional change in the North; • that the Irish constitution will be amended, "at the right time and in the right circumstances" to reflect any

agreed changes;

• that there is a place at the negotia-ting table for the "men of violence" in the event that they cease their violence.

promise that there would be no

"secret" deals; in the joint disa-

vowal of the loltlative

launched by Mr John Hume.

the SDLP leader, with Sinn Fein; and in Dublin's implicit

acknowledgement of the

In practice, the two govern-

ments are reversing the order

of negotiations in the three-

strand peace process which

stalled at the end of last year.

Then the priority was an agree-

ment between the Northern

Ireland parties before moving

on to the second and third

strands - relations between

North and South in Ireland

and an agreement between the

Republic and Britain on

Ulster's constitutional status.

Unionist "veto".

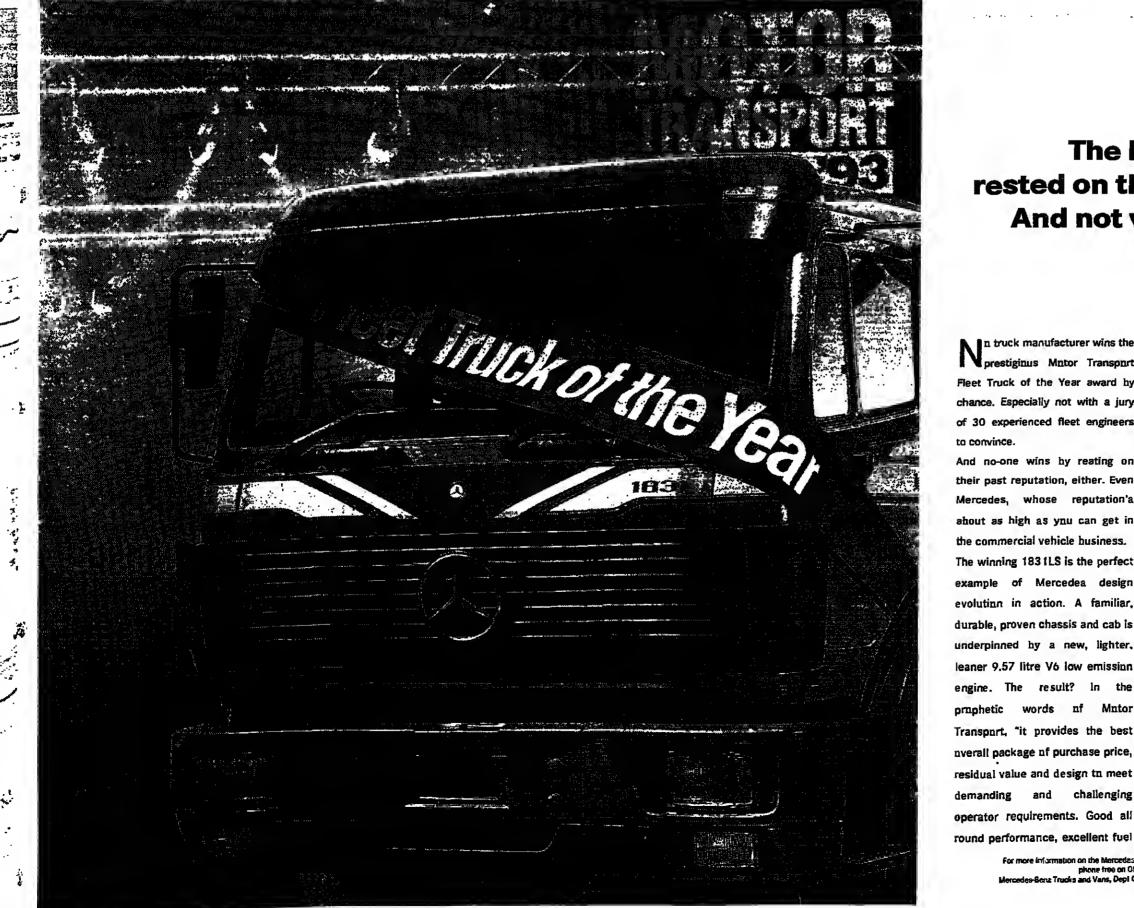
The SDLP and Sinn Fein are concerned by Mr Spring's apparent accep-tance of a Unionist veto - as opposed to a majnrity veto. Mr Reynolds referred only to majority consent.

The Brossels statement was unequivocal that there could be "nn question of adopting nr endorsing" the Hume-Adams initiative, which envisages a simultaneous referendum north and south of the border on changes to Northern Ireland's status, hut recognises the principle of majority consent in the north.

It also recognises that a cessation of violence would precede Sinn Fein com-

ing into talks. The last series of talks between the four main Ulster constitutional parties broke up last November without agree-

The DUP was unwilling to proceed unless the Republic dropped its constitutional claim on Ulster. The UUP says Dublin was unwilling to commit itself to change. The Republic accused the unionists of setting pre-conditions. The SDLP, the moderate Alliance party and the two governments have indicated their willingness to continue negotia-



The laurels rested on the Mercedes. And not vice versa.

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phone free on 0800 181361 or writ Benz Trucks and Vans, Dept C3, FREEPOST, RM805, Illord, Essax IC3 ARD Lisa Wood on a two-year-old initiative which aims to help women at work

Opportunity knocks

manager of one of the larg-J. Sainsbury, the British food retailer. But she only works on

Five years ago, says Judith Evans, director of corporate personnel for the group, s 10-hour working week in such a managerial job. where she is often in sole charge of nearly 150 employees, would have been inconceivable.

The catalyst for changed thinking on how such a job could be made practical was Opportunity 2000, the business-led initiative launched two years ago to improve the position of women at work in the UK.

"Without Opportunity 2000 we would probably not have thought to ask Ann Thomas if she wanted to come back to work immediately after having her third child, and she probably would not have thought to ask us if she could," says Evans.

The campaign, she adds, provoked Sainsbury to question how obstacles could be removed to assist women's progress.

Thomas may be exceptional at Sainsbury. But the personnel department and line managers, mindful of the active interest of their chairman in the initiative (he is a founder-member), are redoubling their efforts to promote equality

Opportunity 2000 - to which 216 British companies are now formally committed - was widely suspected of being a nine-day wonder. But the campaign's second annual report which is published today - may go some way to alter perceptions by pinpointing initiatives and policies being developed in the participating organisations. It discusses the ideas and approaches that have worked. and those that bave still to bear

Lady Howe, who chairs the campaign, says she believes there are signs of Opportunity 2000 making a difference. But she says the campaign does not promise overnight miracles. "There is still a long way

Just how far was highlighted in a survey of 29,000 executives in 533 nies published last week by the National Institute of Economic and Social Research and the London School of Economics, This showed that only 8 per cent of top executives in Britain are women and that the higher up the corporate blerarcby you go the fewer



Paul Gregg and Stephen Machin, from the Institute, take issue with the claim that women are increasing their share of the top executive jobs - defined as everything between chief executive and middle management. They also found that women are paid less than men even if they are working in the same job. There does appear to be a glass

ceiling . . . and it does not appear to be cracking," they observe. Opportunity 2000 campaigners stress that they are not just interested in getting more women into the boardroom - although the report gives several examples of "firsts" such as the Bank of England appointing its first female director. More generally, they are seeking to improve women's lot in

the workplace. Progress here, though, is uneven. Childcare Vouchers is an organisa-tion which supplies companies with vouchers for eligible employees for the full or part-time payment of their childcare costs. It claims thet only a few of the companies to sign up for Opportunity 2000 have intro-duced affordable and practical ways of helping working women overcome the childcare hurdle. The organisation has an axe to grind, but its criticism highlights

the scale of the task. Many believe the government should provide more in the way of fluancial incentives. At the ent, for example, tax relief is confined to workplace nurseries which, for many women, is not an sceeptable solution.

ayCare Trust, a nstional day care charity, also points out in a report published today that fewer than four in every 100 trainees on government-funded training schemes receive any help with childcare.

As the Opportunity 2000 report underlines, costs of implementing policies, such as childcare, are a prime concern of employers (some of whom are working with budgets as low as £1,000). Many companies are opting for less expensive alternatives, such as job sharing and flexible working. Under Opportunity 2000 there is

no formal pathway to promoting

equality. Campaign companies set their own goals for increasing opportunities for women in their workforce by 2000.

Those new to the idea need to start with basics - incorporating equal opportunities into the business plan, for example, or investigaling where women are in the hierarchy and then seeking to diagnose the problems which may hinder their upward mobility.

Others, however, are now in a position to measure year-on progress in areas such as promotion retention and returner rates. Marks and Spencer, the retailer, is target ing areas such as its childcare and maternity arrangements and its training programmes for investiga-tion following its monitoring exercises. Boots the Chemist has reported a rise in the number of store staff returning after maternity

Some companies have set clear targets – Iceland Frozen Foods aims to increase the percentage of female retail managers from currently below 10 per cent now to 15 per cent in two years' time. Others, including Avon Cosmetics, are investigating whether there are gender differences in pay and conditions.
The Royal Bank of Scotland is

"profiling" jobs and individuals to ensure that subjectivity is taken out decisions. HTV, the telsvision company, carried out a job evaluation in co-operation with its five unions.

Many companies recognise the need to boost confidence among women. Fox's, a biscuit-making subsidiary of Northern Foods, found that women were particularly reticent about coming forward for management positions mainly held

As a result Fox's has run self-development programmes aimed at shop floor and junior clerical roles.

There will be no revolution overnight but ws are making progress," says Philip Ward, group personnel executiva at Northern Foods, in March 1991 only 3.7 per cent of employees at Northern Foods earning more than £30,000 a year were women. This has now gone up to 8.3 per cent. "It would have happened without

the campaign but Opportunity 2000 is another important weapon in our armoury as we seek to talk both internally and externally about these issues," explains Ward.

TIPS FROM THE TOP

Make it dramatic for the shareholders

Henry Wendt, chairman of SmithKline Beecham, offers advice on how to conduct an annual meeting

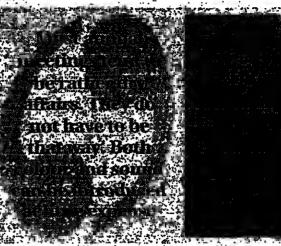
he statutory annual general meeting is something of a modern paradox. in the case of large companies. institutional shareholders holding the majority of shares seldom . attend. Most chairmen are happy to see owners of 2 or 3 per cent of their shares show up. Since most ballots are cast by post, it is only in unusual cases that the vote is uncertain. Consequently. there is rarely true drama or a big decision at the AGM. It shouldn't be any wonder that many chairmen regard the occasion as a meaningless task to be dispensed with quickly. Yet in doing so they miss an

opportunity to generate considerable goodwill and inderstanding of the company. It is the one occasion during the year when the board and the management are on full parade and available to all shareholders for answers to direct and at times penetrating questions. The attendees are mostly small shareholders who have a strong sense of identity with the company and are predisposed to be friends. Their attitude is in many ways governed by what they learn and even more to the point, how they feel at the AGM. With that purpose in mind, I believe it helps to think of the AGM as theatre. Theatre is a form of communication in which

are put across to large audiences. indeed, theatre works best when there is genuine interaction between the cast and the audience. Designing the AGM as theatre egins with deciding the messages to be communicated. Usually, there is a mix of good and bad news. Naturally, the weight of the mix determines the tone and character of the AGM; celebratory

complex and provocative messages

or firmly resolute. The next decision relates to the east of characters. In most situations, the chairman should resist the temptation to place himself in the starring role. The AGM is an opportunity to display the strengths of the



management and the board. Opportunities to bring other executives centre stage will certainly occur during the question and answer session, but mines should also be sought during the formal presentations. The role of the chairman is always to maintain firm control and leadership of the meeting, while also bringing forth the personality, character and talents of other cast members. The andience should leave impressed with the way the manage and the board complement each other and work as a team.

It is useful to consider the stage setting. Most annual meetings tend to be rather dry affairs. They do not have to be that way. Both colour and sound can be introduced at little expense, in ways that enhance the primary messages. Music played at a low background level as the attendees take their seats helps establish the mood. I often find visual aids to be more of a distraction than a help, but used to display data they can also introduce animation and colour. For emotional impact, nothing matches video on a large

A successful AGM requires an active and energetic estion and answer session. Since it is this part of the

Pow plans a wide-ranging

Aquascutum will certainly

months. Pow succeeds James

Stokes, who moved up from deputy chairman and joint managing director to succeed Paul Bennett when he retired

as chairman in August.

Pow was educated at Brox-

burn Academy, West Lothian, before completing a degree course in business studies, pro-duction and design at the Scot-

programme that many chairmen regard with the most anxiety, It is central to the AGM paradox. Yet it is the question-and-answer session that creates the lasting impression. A positive impression is created as much by the way question as it is by the answers themselves. I will always remember the occasion when tense question period a feisty shareholder suggested that the personnel director get a haircut. The question – and the somewhat mbarrassed response - brought the bonse down and changed the entire mood within the room.

The burden is always squarely on the chairman to conduct the question session in an open, understanding manner. By using his prerogative to restate and as question without distorting the questioner's basic thrust, the chairman can establish the correct tone and posture for the session.

of the AGM provides a unique opportunity to create positive human chemistry with the company's natural ambassadors.

Next Monday: Sir Colin Marshall of British Airways on how to cope with a busy business trip.

WHERE TO WATCH THE FT THIS WEEK

MONDAY

03:30 FT Reports ●

06:30 European Business Today†

07:15 European Business Today†

08:15 European Business Today†

12:30 FT Reports†

22:30 European Business Today†

TUESDAY

06:30 European Business Today†

07:15 European Business Today†

08:15 European Business Today†

07:45 FT Reports*

12:30 West of Moscow†

13:15 FT Reports*

15:45 FT Reports*

18:45 FT Reports*

22:30 European Business Today†

WEDNESDAY

06:30 European Business Today†

07:15 European Business Today† 08:15 European Business Today†

21:30 FT Reports† Data transfer. Why are Europe's telecom monopolies

stifling research. 22:30 European Business Today†

THURSDAY

06:30 European Business Today†

07:15 European Business Today†

08:15 European Business Today†

12:30 West of Moscow†

18:45 FT Reports*

22:30 European Business Today†

FRIDAY

06:30 European Business Today†

07:15 European Business Today†

08:15 European Business Today†

12:30 FT Reports†

22:30 European Business Today†

SATURDAY

08:30 FT Reports†

SUNDAY

03:30 West of Moscow • Bottomless Pit. How effectively are funds from the west utilised in the old USSR.

16:30 FT Reports●

22:30 West of Moscow †

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PEOPLE

Nine month search puts Pow into Aquascutum

Aquascutum, the npmarkat clothing group famous as Bar-Thatcher's favourite out fitter, has appointed James Pow as managing director and charged him with both reorganising the company and repositioning the brand.

First priority is to bring the company's different divisions in Canada, the US, Europe and the Far Bast together under one headquarters in London, and centralise functions such as buying wherever possible.

That may sound ambitious, but Pow. 42, believes his experience fits him well for the task. "My background has been in fairly rapid reorganisa-tions of premium businesses," he explains. Most recently, he was at Dunhill, where he was managing director of Hackett, the menswear group tt acquired in 1991 with a view to turning it into a global brand. Pow was responsible for opening Hackett's flagship store at

Sloane Square last year.

Before thet he was international sales and marketing director at Mulberry, the fash-

change in consumer attitudes from the high-spending culture of the 1980s towards demanding value. "Young people today identify with brands that Finance moves Ksvin Walsh has been

appointed head of North American operations at Gartmore. Of the funds under Gartmore's

ion designer.

His experience in promoting

both those brands will equip him for what he sees as his

second important task at Aqua-

scutum: repositioning a brand which is losing its identity. "Ws need to focus on what

the consumer of the 1990s per-

ceives the Aquascutum brand to be," he says. Even premium brands are not immune from

or the tunes under Garthore's management, 77 per cent are UK pension funds, so the com-pany has recognised its need to diversify into other markets and has finally embarked on a project to attract North Ameri-can clients to its fold. Walsh was previously man-

aging director of SEI Interna-tional Investment Group, a US-Bob Dighton has been based consultancy which, among other things, belos pen-sion fund clients pick fund appointed sales director of T. HOARE & Co; he moves from managers and where he directed its product and marketing effort. Bsfore that, International Investment Walsh was a partner and senior account manager at Brinson Partners, also a pension fund consultancy. from UBS Securities.

Banque Indosuez, Gartmore's parent is planning to place 25 per cent of its shares on the London market. In other moves. Vivian Bazalgette (abova left) has been appointed md, and Mike Bishop deputy chairman, of Gartmore Pension Fund Managers. Peter Pearson Lund, formerly md, has been appointed chairman of Gartmore Fund appointed deputy



Managers: Lewis McNaught (above right), formerly deputy md, has been promoted to md. Edwin Doeg and Charles Hob-lyn have been made directors.

Smith New Court. Andrew Welsh, formerly associate director of finance at Nomura Banking Division, has been appointed finance director at T. HOARE & Co.

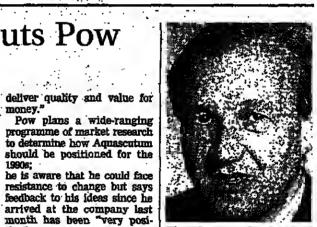
■ Kevin Darlington has been appointed chief UK economist at HOARE GOVETT; he moves ■ Richard Piskorz has been appointed to the board of NEWTON FUND MANAGERS. ■ Gary Vocat has been promoted to become a director of RECORD TREASURY MANAGEMENT.



ASSOCIATION and the COUNCIL OF MORTGAGE LENDERS; be is succeeded as head of legal services by Michael Coogan, currently a deputy secretary. Peter Williams, professor of housing management at the University of Wales, is to join as head of research and external affairs. Lyndon Jones has been ■ Lyndon Jones has been appointed group and of POINTON YORK.
■ David Porter, formerly and of CLF Municipal Bank, has been appointed deputy and in the control of the LYC.

charge of the UK, Scandinavian and Dutch investment banking operation at NOMURA INTERNATIONAL Jim Durkin has been appointed a UK equity sales director, he moves from Williams de Broë.

Barry Gittins, director, securities and derivatives regulation, is to take early retirement from the SIB. Charles Etienne Carton has been appointed a senior vice-president and head of fixed income sales at OPPENHEIMER : INTERNATIONAL: he moves from Bankers Trust International



The Country Landowners' Association, moutbpiece for be hoping it has the right man, after an executive search which lasted some nine the landed gentry of England and Wales, yesterday elected a new president. Hugh Duberly. who spent his youthful days in banking, still retains "a liquid interest" in the City as chair-man of the Pavilion wine bar in Finsbury Circus, a popular watering hols close to Liver-pool Street station.

His work in City finance ended in 1975 when Mercantile Credit, the hire purchase and leasing bouse for which be worked, was acquired by Barclays. Duberly, now 51, returned to take over the 2,250-acre family estate at Great Staughton in Cambridgesbire and began his climb up the CLA ladder.

As president of an organisa tion representing 50,000 land-owners including the Duchy of Cornwall, the Church Commissioners and a number of Oxinidge colleges, Winchester-educated Duberley believes landlords and farmers should be proud of their "custodian-ship" of the land.

At a conference last week he quoted an earthy passage from Emile Zola's novel La Terre to explain the lure of the countryside: "Once the land gets you by the short hair, the bitch won't let go."

Paul Myners, chairman of Gartmore, has been elected chairman of the executive committee of the ASSOCIATION OF INVESTMENT TRUST. COMPANIES. Ray Hill group child executive of the Iron Trades insurance Group, has been elected president of the

CHARTERED INSURANCE

INSTITUTE.

David Holt, formerly md of Slingsby Aviation, has been appointed chief executive of The NATIONAL APPROVAL COUNCIL FOR SECURITY

The Artist Control of the Control



Circus fun and High Art

always direct the same film," Federico Fellini once said. "I can't distinguish one from another." But Italian cinema'a greatest veteran, who died yesterday aged 73, kept directing the same film only in the sense that each great artist always remakes the same work. Genius cannot disguise its signature. From Variety Lights to La Doice Vita, from 8/4 to Cinger And Fred, Fellini's films were like whirlwind variety shows that had strayed into High Art. Jaunty music abounded; crowd scenes bristled with exotic or outlandish characters; and pneumatic women were paraded like circus horses whenever the director's whip cracked.

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ham,

reeting:

Tr.

At centre-screen there was usu-ally Fellini himself - or his favourite alter ego, the actor Marcello Mastroianni. And to emphasise the monomaniac aspects of the work, filled with surfeit and self-mythologising, the film titles themselves often incorporate their maker's name: Fellini Roma, Fellini Satyricon, Feltini Casanova.

There were occasional glimpses of a different kind of film-maker, especially early in his career. Movies such as I Vitelloni and Il Bidone proved he could subtly, comically inflect the Italian neo-realist tradition; while sombre melodramas like La Strada and Le Notte Di Cabiria were modern cinema's answer to

But the carnival Fellini is still the best-known. Appropriately, he was born in Rimini, the Adriatic holiday town; as a teenager his first iob was as comlostrip artist for a Florence-based magazine - an experience which gave him the background, later, for his first film as director, White Sheikh (1952), gently dehunking the world of comic-book

In Rome he played truant from

I have been fortunate to travel

through life with a rich variety of

guides and interpreters. A good

cicerone can be a writer, a historian or an artist - or best of all a friend who is a mixture of the finest quali-

ties of all three. Sometimes the

ideal guide to a building or a place

is a book that not only tells an

historical tale but nourishes the

visual imagination as you read. One

such book has just been published

and it has been for the last few days

an absorbing and enthralling com-

panion. "Spencer House: Chronicle:

of a Great London Mansion" by

The rescue and restoration,

indeed the resurrection, of the eigh-

teenth century Spencer House is the

great achievement of the present

Lord Rothschild and his companies

(RIT Capital Partners plc). Realising

the immense importance of this

house nn Green Park, (that had,

unlike so many aristocratic London

palaces, survived wars and slumps

hut inevitably declined and been

beginning of its redemption. The

extraordinary effort was accom-

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Md.

Zwemmer, price \$39.50.

sures in life is looking at

architecture with a good

guide or a learned friend.

university law courses to work as a fession, that of film-maker, symbolicrime reporter for the newspaper Il Popolo di Roma; he then did a spell of cartoon-work and storywriting for a satirical magazine, Marc'Aure-lio. During the 1940s he escaped military service. when his medical records were destroyed during a hospital bombing; he joined a theatre troupe as set-designer and all-purpose factotum; wrote radio scripts and co-wrote film scripts.

He even helped to open a shop: the Funny Face Store, a novelty portrait studio for American GIs. specialising in instant caricatures and voice-recordings. In 1944 a visi-tor to this ahop, Roberto Rossellini, the film-maker, made Fellini his first important movie offer. The "documentary" for which Rossellini was seeking a script collaborator finally became the classic neo-realist film Rome Open City (1945).

Five years (and several Rossellini collaborations) later, Fellini began directing his own films. His early movies were witty, protean varia-tions on neo-realism; often showcases for the impish pathos of the actress Giulietta Masina, whom he had married in 1943. But with *La Dolce Vita*, in 1960, Fellini's film direction broke definitively with neo-realism. This extravagant tale of Roman high life is decked out with surreal symbols (a flying statue of Christ, a beached sea-monster) and mischievously inflated minor characters, notably Anita Ekberg'a fulsomely-endowed, fountain-splashing film star.

Marcelln Mastroianni's bemused hero in the film - a Fellini surrogate, adrift in wonderland returned three years later for the master's masterpiece. 8% (1963) is a fantasia on themes of autobiogra-phy. Though its story has few literal convergences with Fellini's own life apart from the hero's pro-

cally it skywrites all his favourite obsessions: the diversity of womanhood; the artist as ringmaster in his own circus; fear of falling creativity; the conspiracy of the philistines. Fellini'e two great stylistic trademarks, perpetual-motion cam-

era and a post-dubbed habble of

voices, created a film whose garru-

lous forward flow seemed to sweep up every object in its path, hurling them hriefly into the air, one by one, for inspection. To the regret of many of his admirers, Fellini did not arrest his style at this point of development. The hlack-and-white baroque of 8% turned into the gaudy rococo of Juliei and the Spirits; rococo soon became a filmic version of fair-

ground kitsch in movies such as

Fellini Casanova and The City of

But even in his fitful final decades Fellini made films or indi-vidual sequences that still ran rings round most orthodox modern cin-

Fellint Roma is an unclassifiable mixture of documentary, travelogue and mickey-taking, its climax is a Papal fashion-show, with ecclesiastical models parading on roller-skates. Fellini Sutyricon gives a surreal modern gloss to ancient myths. Amarcord is an album of childhood memories punctuated with moments of dazzling make-believe -the cut-out ocean liner riding a midnight polythene sea, for example. And Fellini Intervista is a satire on film-making which joyously mixes the impertinent (Anita Ekberg in an in-joke cameo) with the impossible

Way).
Like Orson Welles, perhaps his only true soulmate in Western cinema, Fellini believed that movies were a magician's medium where

(Red Indians attacking the Appian



Fellini and Anita Ekberg during filming of 'La Dolce Vita'

trickery could be part of the charm. He also spent much of his artistic life removing harricades between the arts. For him cinema was not just cinema: it was theatre, vaudeville, opera, circus and street fair. His aesthetic taste may sometimes have been questioned, but never the eize or grandeur of his eesthetic

At a time when Europe became concerned about US cultural imperi-

even the open acknowledgment of alism, especially through the cinema screen, Fellini stood out as a movie-maker who thrived while owing nothing to Hollywood. He was, indeed, one of the very few post-second world war European directors who was able to make a wide degree of popularity on both sides of the Atlantic.

Our monthly column on arts sponsorship will appear later this week

films on his own terms and achieve

ture by speading knowledge of clas-sical archaeology.

work have been twofold. He prepared an impressive report on Spencer House before work started on site for the restoration. This was a crucial element as it belped to ensure a very high standard of accuracy throughout the project. As the bihliography shows Mr Friedman has gone on to discover even more sources which enrich the quality of his book. To me the most fascinating part of the book is the section entitled, "A Revolution in Taste", where the original classical sourcee are both described and illustrated with a rewarding thoroughness. Some of this may be specillustrative sources for the Palm Room and the Painted Room in particular seem to be exhaustive. The chapter on Athenian Stuart'e work on the first floor of Spencer House reveals both the author's saturation in the source material and the controlled but rich nature of Stuart's ing arid about the revival of the classical past in this house and with

There is a great deal in this book about people and politics - indeed you could simply read about the people and glance at the sumptuous pictures that were specially commissioned from Mark Fiennes if the architectural detail becomes overwhelming. But I suspect that you will agree that this is the most enjoyable architectural book to be

Ballet/Clement Crisp

Romeo and Juliet

tribute to the memory of Sir Kenneth MacMillan during the past week-end. which marked the first anniversary of his death. His Romeo and Juliet was given superb revival - the ballet and the company looking fresh, vital - with three interpretations of exceptional interest. Two of these -Irek Mukhamedov's Romeo and Stephen Jefferies' Tybalt on Friday - are familiar, though none the less magnificent for that. The third was the debut, at Saturday's matinee, of Sarah Wildor as Jullet. It was one of those rare, rare, occasions when a young artist seems to discover her own powers, and we watch, fascinated, as a talent reveals itself,

unerring, beautiful, true. We have seen Miss Wildor since she was a child at the Royal Ballet School - most memorably as gentle Clara in Nutcracker. She is now a lovely young woman, two years in the company, blonde bead exquisitely placed on a long neck, with delicately-boned physique. From her first entrance as Juliet there was a sense of concentration about ber playing, an artist securely inside the character, and as the per-formance progressed - its development sure, organic, inevitable - we saw how deeply this Juliet believed in her role, and we believed with ber. She managed, and with what subtlety, to suggest the conflict in Juliet's temperament between girlishness and nascent passion, matching the sensuality that Romeo awakens with a child-like obstinacy. (Her flight to Friar Laurence was ecstatic, womanly; running from ber family in the third act, she showed us a Juliet still awkward, impetuous). The third act rightly crowned her reading: every moment had meaning, every least action spoke. And there were incidents to which she gave entirely individual and thrilling identity - surest sign of great things to come. Miss Wildor is a talent to watch, to treasure, to nurture.

Michael Nunn made his dehut as Romeo to this Juliet. It was a sin-

The Royal Ballet paid fine cere, well-considered reading: the role does not offer him such challeoges as did Rudolf in Moverling, which be so admirably assumed last year, but it was an intelligent first sketch which he will develop. It was inevitably shadowed by the interpretation frek Mukhamedov had given the night before. Mukhamedov's Romeo is a complete portraval The life of the character is vivid and ablaze with feeling: how grand is Mukhamedov's daring as he tells us of Romeo's infatuation for Rosaline before the Capulet ball - he looks up, as if at a full moon, and rejoices in the night's romantic possibilities. The thunderbolt of Jullet's presence, the sensual charge Mukhamedov gives everything that follows, hurns through the dancing. The relationship with Tybalt is no less bold. I think Stephen Jefferies the best Tybalt the Royal Ballet has shown us. There is menace, of course, but Jefferies tells of the Irustrations and innate Iury of the man. As in Giselle, where his Hilarion is the ideal match lor Mukhamedoy's peerless Albrecht, these two artists respond thrillingly to each other: their duel was ferocious, far more intense than mere stage

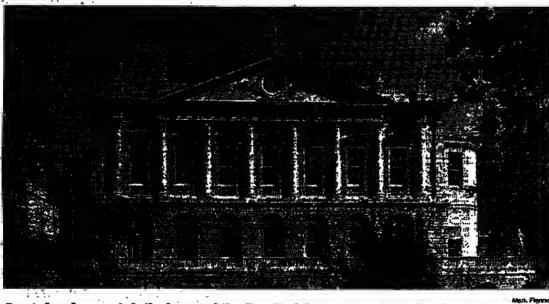
sword-play. Mukhamedov's Juliet was Viviana Durante, giving a clear, slightly self-conscious reading, but one danced with lovely finesse. And, on a note of regret, I must record that the present run of Romeo ond Juliet will mark the retirement of Leslie Edwards, the Escalus of the staging. On November 22 be will give his last performance as member of a company he joined in 1933. His qualities - not least a hlessed enthusiasm that meant no role has ever become routine - have made him seem the very spirit of our national ballet, for which he has also guided many choreographic talents.

His reward has been our unfailing admiration and affection.

Romeo and Juliet' continues in repertory at Covent Garden until

Architecture/Colin Amery

A great London mansion



Created and recreated: the house of the first Earl Spencer overlooks London's Green Park

turned into offices) was only the importance of Spencer House is levels: one at the level of historical artistic architectural and historical. research - often but not always accompanied by e degree of taste and aesthetic judgment; and two at It can be seen today as an excellent exemplar of its period, not merely the level of finely honed craftsmanbecause it has been perfectly restored but because the motives ship. Spencer House today is a a brilliant example of the skills of hehind its rescue eo clearly reflected the aesthetic and intelleccontemporary British craftsmen and artists in paint, gilding, carv-ing, sculpture and upholstery. Last tual reasons for its original cre-Lord Rothschild was wise and weekend there was a highly sucgenerous enough to ensure that this cessful "craftsman day" to show to the nublic how some of the fine results were achieved.

plished by a broadly based team. He Joseph Friedman's chronicle is a saw Spencer House as an opporturewarding account of the whole hisnity to engage the very serious and tory of the creation and re-creation impressive range of talent that is of the house. He is right to emphaavailable in England in the field of sise the important transitional conservation and historical refurnature of the architecture of the hishment. Those skills exist at two

house. Fascinatingly, it was begun by one architect, John Vardy who died in 1765 and represented the English Palladian school of classical architecture, and was completed by James Stuart (1713-88), who was known as "Athenian" Stuart and was the pioneer of the Neo-Classical revival in England based on Roman and then Greek original sources. Friedman also points out the importance of symbolism, allegory and metaphor in eighteenth century architecture - an area that today needs exposition in a way thet

would have amazed our well-edu-cated eighteenth century forebears. The story of the huilding of the house for the first Earl Spencer between 1756 and 1766 is colourfully

told in this book - a clear picture unfolds of the tastes and ambitions of the patron and of his Countess, the agreeable and influential Georgiana. The selection of John Vardy as the architect was partly because he came with the eite that Spencer purchased in St James's. A more interesting choice was that of Colonel George Gray as an adviser to the 21-year-old John Spencer. Little is know about Gray beyond the fact that he was both a professional soldier and Secretary and Treasurer of the Society of Dilettanti - a dining cluh for gentlemen who had accom-plished the Grand Tour. This group, when it was not engaged in serious drinking, had a didactic purpose to rejuvenate English art and architecMr Friedman's researches for this

Neo-Classical style. There is noth-Mr Friedman as your dragoman the lost meaning of much of the decora-tion end the architecture comes intriguingly back to life.

published for a long time - it is a hrilliant story, well told with a triumphantly happy ending.

Spencer Hopse is evailable for private and corporate entertaining. It is open on Sundays (except August and January), Booking enquiries: 071-499 8620.

Concert/Roderic Dunnett

Damnation of Faust

erlioz's The Damnation of Faust was premiered in Paris on a freezing November afternoon in 1846, to a half-empty Opéra-Comique. The concert was a financial disaster. No such misfortune attended the admiwhich concluded the fortnight-long Canterbury Festival. To hear a revival of this luxuri-

ant, semi-erotic French masterpiece in an English cathedral seems as remarkable as it is welcome. The festival's theme has focused on Faust this season to mark the quatercentenary of Christopher Marlowe's death. As a climax, Berlioz's "Dramatic Legend" could not have been a better choice. The widely-admired staging at the

Royal Opera conducted by Sir Colin Davis recently revived debate about the work's stage viability. Berlioz conceived it as a series of audial tableaux, incorporating material dating back two decades.

This was a performance to remember, in an acoustic distinctly favourable to Berlioz's rich orches tral resonances. Much was owed to the direction of Richard Cooke, former conductor of the LPO Chorus, well on top of the work's large scale architecture and broad sweep: the pacing intelligent (if not always quite thrusting enough), with attention to chorus leads, although somewhat neglecting his soloists

Key to the success was the spiendidly disciplined Canterbury Philharmonic Orchestra. One was con-

stantly reminded that here was the home of the distinctive Kent Opera. Rich-toned strings, meticulous tuning, with strong legato and alert-ness to Berlioz'e arching melodic lines; warm brass and (apart from the odd passage) impeccable wood-wind; plus two graceful, sensitive solos on viola and cor anglais.

All four vocal soloists rose to the occasion. As Faust, Martyn Hill, replacing the indisposed Nell Archer, surprised by the range of his interpretation - a bit intro-verted at the start, uncertain of the odd top note, yet growing into a difficult characterisation. As Faust's idealised Gretchen (Margareta), Eleanor Bennett launched shakily, but warmed in the duet and won hearts with her ensuing romance.

The cement to this performance was the singing of Mephistopheles by Brian Bannatyne-Scott, a jovial demon whose malicious energies inspired some of Berlioz's most witty and original vocal writing. This was a fine reading: flexible and assured, with clear words and just the right amount of controlled gesture. He was well supported by an attentive men's chorus, largely ahreast of the trickler passages. Upper voices were disappointing less honed and secure, and at worst. almost inaudible. But the freshness and invention of Berlioz'e kaleidoscopic score were amply displayed. The performance was clear vindication of a marvellous (and profoundly influential) work.

INTERNATIONAL

■ BERLIN

OPERA/DANCE Deutsche Oper The main event this week is the premiere on Fri of Peter Schaufuss' new production of Swan Lake, which runs in repertory this month with his versions of Nutcracker and Sleeping Beauty. Operatic repertory over the next two weeks consists of Die Zauberflöte, Die kustigen Weiber von Windsor, Don Glovanni and Gluck's Orfec. Helen Donath gives a song recital on Thurs (341 0249) Staatsoper unter den Linden Daniel Barenboim conducts revivals this month of two of last season's most successful new productions - Parsifal and Die Brautwahl. Parsifal (Nov 7, 14) is a Kupfer production with a cast led by Poul Elming, Kurt Moll and Deborah Polaski. The rarely-staged Busoni can be seen on Nov 17, 19, 21 and 28. Other highlights include a song recital by Waltraud Meler on Nov 8, concerts conducted by Christoph von Dohnanyi on Nov 11 and 13. a chamber music recital with Barenboim and Dietrich

Fischer-Dieskau on Nov 17 and e gala concert with Placido Domingo on Nov 27. This week'e repertory includes Tannhäuser, Entfuhrung and Aida (200 4762/2035 4494) Komische Oper A new ballet by German choreographer Arika Slegert, entitled Circe und Odysseus and set to music by Gerald Humel, Is premiered on Sun (229 2555)

CONCERTS Philharmonie Tonight: Marcus Creed conducts Akademie für Alte Musik in Handel's Israel in Egypt. Tomorrow: Armin Jordan conducts Orchestre de la Suisse Romande in works by Gaudibert, Schumann and Shostakovich, with piano soloist Martha Argerich. Thurs: Uwe Gronostay conducts Berlin Philhermonic Chorus In Duruflé's Regulem. Fri: Daniel Barenbolm plays Schubert Impromptus. Sat. Sun morning, next Mon: Simon Rattle conducts Berlin Philharmonic Orchestra in Rameau and Berlioz. Murray Perahia plays Beethoven plano concertos with the BPO on Nov 16, 17, 18, Dec 8, 9, 10 and Dec 14, 15 and 16. Claudio Abbado conducts concert performances of Boris Godunov on Nov 28 and

28 (2548 8132) Schauspielhaus Thurs, Fri, Sat, next Mon: Marek Janowski conducts Berlin Symphony Orchestra in works by Zimmermann and Bruckner (2090

■ NEW YORK

 Angels în America: Perestrolica. the second half of Tony Kushner's epic contemporary drama, le in

previews, running in repertory with part one. Millenium Approaches (Walter Kerr, 219 West 48th St, 239

 Timon of Athens: Shakespeare's rarely performed play, updated to the jazz age in this National Actors Theatre production directed by Michael Langham (Lyceum, 149 West 45th St, 239 6280)

 Cyrano: a musical based on Edmond Rostand'e classic love story. This production, with Dutch actor Bill van Dijk in the title role, originated in Amsterdam. In previews (Nell Simon, 250 West

52nd St, 307 4100) The Red Shoes: a new musical based on the 1947 film by Michael Powell about a choreographer and a young ballering tom between her sion to dance for him and her love for the composer of The Red Shoes. Music by Jule Styne, book by Marsha Norman, choreography hy Lar Lubovich. Starts previewing tomorrow (Gershwin, 51st St, west of Broadway, 307 4100)

 She Loves Me: the 1963 Bock, Hamlck and Masteroff musical directed by Scott Ellis - a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway'e glitz-laden mega-musicais lack (Brooks Atlanson, 256 West 47th St, 307 4100)

 Desdemona: Paula Vogel's comedy takes a backstage look at Shakespeare's Othelin. In previews, opens Nov 11 (Circle Repertory, 99 Seventh Ave South, at West 4th St, 239 6200) Four Dogs and a Bone: a satire, written and directed by John Patrick Shanley, on moviemaking and the

power plays between producer,

screenwriter, seasoned actress and aspiring starlet (City Center, 131 West 55th St, 581 1212)

 How to Write a Play: a loosely autobiographical farce by Charles Ludiam, about e man who must either write a play or lose the grant money given to his theatre. In previews, opens next Mon (Ridiculous Theatrical Company, One Sheridan Square, at West 4th St and Seventh Ave, 691 2271)

OPERA/DANCE Metropolitan Opera Placido Domingo sings the title role in Verdi's Stiffelio tonight and Sat. Repertory also includes La bohem with Veronica Villaroel, Carol Neblett and Richard Leech, plus Die Zauberflöte and Madama Butterfly. Nov 11: first night of new production of Rusalka (362 6000) State Theater New York City Opera has performances this week of Le nozze di Figaro and three Puccini works - La Rondine, Madama Butterfly and Tosca. The final two weeks of the season will be devoted to Rodgers and Hammerstein's Cinderella (870 5570) Joyce Theater Trisler Danscompany in residence from tomorrow till Sun. Next week: Isobobs, Nov 16-28: Garth Fagan Dance (242 0800)

CONCERTS Avery Fisher Hall Tomorrow: Raymond Leppard conducts New York Philharmonic Orchestra in works by Bartok, Grieg, Ravel and Tchalkovsky: Thurs, Fri, Sat, next Tues: Christopher Keene conducts world premiere of Tison Street's Bright Sambas, plus music by Vaughan Williams, Poulenc and Stravinsky. Nov 12, 14: Herbert

Blomstedt conducts San Francisco Symphony Orchestra (875 5030) Alice Tully Hall Tomorrow: Beaux Arts Trio and friends. Sat and Sun: Czech music festival (875 5050) Cernegie Hall St Petersburg Philharmonic Orchestra gives afternoon, Yuri Temirkanny conducts the first two and Mariss Jansons the third. The soloists are Dmitri Alexeev and Shlomo Mintz. Nov 11: Boulez conducts Boulez, Nov 13: Shura Cherkassky, Nov 17: Bolshoi Symphony Orchestra (247

PARIS

DANCE/OPERA Palais Garnier Tomorrow and Wed: Ballet da l'Opéra da Paris in a Jerome Robbins programme. Sat, Sun, next Mon, Tues, Wed: Tokyo Ballet presents Bejart'e new choreography, entitled M, set to music by Mayuzumi Toshiro (4742 5371)

Théâtre de la Ville Tomorrow. Thurs, Fri, Sat: Urs Dietrich ni Folkwang Dance Studin Essen presents three new works. Next week Lucinda Childs Dance Company (4274 2277) Opéra Bastille Tomorrow: Jirl Kout conducts revival of Götz Friedrich's production ni Katya Kabanova, cast led by Karan Armstrong, Yvonne Minton and Barry McCauley (repeated Nov 4, 6, 8, 10), Bob Wilson's new production of Madama Butterfly opens on Nov 17 (4473

CONCERTS Théâtre des Champs-Elyseés

Tomorrow: Eugene Istomin plano recital. Thurs: José van Dam song recital. Sun morning: Jean-Claude Malgnire conducts Bach, with baritone soloist François Le Roux (4952 5050) Châtelet Thurs: Eliahu Inbal conducts Orchestre National da France in works by Liszt and

Salle Pleyel Wed and Thurs: Semyon Bychkov conducts Orchestre de Paris in Beethoven and Stravinsky. The orchestra lours Japan Nov 6-25 (4561 0630) Salle Gaveau Fri: Marilyn Home sings baroque opera arias with Ensemble Orchestral de Paris (4953

JAZZ/CABARET Blues guitarist and singer Spencer Bohren is in residence this week and next at Lionel Hampton Jazz Club (Hotel Meridien Paris Etoile,

81 Boulevard Gouvion St Cyr, tel

4068 3042)

THEATRE French-language production of Büchner's Woyzeck, directed by Jean-Pierre Vincent, opens tomorrow at Le Rond-Point Théâtre Renaud-Barrault, dally except Mon till Dec 30 (4495 9800), Ginrgio Strehler's Italian-language production of Goldoni's Le Baruffe Chiozotte opens at Odeon-Théâtre de l'Europe on Fri. except Mon till Nov 14 (4441 3636), Peter Sellars' English-language Aeschylus' The Persians three-week run at Bobigny,

opening Nov 9 (4831 1145). Jorge Lavelli's Avignnn Festival production of Edward Bond'e Maison d'Arrêt Théâtre National de la Colline till Dec 12 (4366 4360)

ARTS GUIDE

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Traffic growth forecasts

except from France. But the

financial plight of most Euro-

pean alrlines makes it more

than likely that such proposals will keep resurfacing, bringing

new pressures on the Commis-

Mr van Miert, who, as trans-

port commissioner, last year pushed through the third

phase of EC airline deregula-

tion, is clearly not prepared to

continue to enable airlines to

improve their competitiveness.

If airlines could not manage

this, they should "go out of business", Sir Colin argued.

that Europe's airlines have to

The Commission's analysis is

UK and the Netherlands.

International services

Samuel Brittan

A unified Budget is worth the bother



making threatening noises tax increases of up to £5ho per annum. But it

how far these are a response to a threatened overshoot of agreed spending limits for the next financial year and how far they represent an independent wish to tighten the fiscal stance. Only the first would be justified during a fragile and modest recovery - and then as a holding operation until the prime minister summons up the courage to confront his

spending colleagues.
In any case, politicians and officials should resist the temptation to blame all their trou-bles on the decision of the last chancellor, Norman Lamont, to present a unified Budget covering both expenditure and taxa-tion. Amazing though it is to retell, British Budgets have up to now covered only the tax side. The first unified Budget is due on November 30 and not before time. The last chancellor's decision to introduce It was widely commended, but is now the target of a hostile whispering campaign by grum-blers who say that it is not working and that it will not

Something is indeed wroog. But the mistake is that the change has not gone far enough. For as Andrew Dilnot of the Institute for Fiscal Studies pointed out at an early stage, the Budget is now unified only in name. Public expenditure discussions are still taken in outline In July and in detail in autumn, a process which is now giving the cabinet so much trouble. Tax decisions are still made by the chancellor and the prime minister, after just a prudential consultation with colleagues. The main difference is that they have now to be made in a rush before the Christmas season, instead of In March.

The way forward should surely be to make the Budget genuinely unified: that is for the cabinet to discuss both

spending and tax together at the same time. This does not mean subscribing to the primi-tive notion of an exactly balanced Budget or even a fixed borrowing requirement. The true housekeeping point is that, whatever levet of borrowing is prudent in a given economic situation, extra spending on X still means less spending on Y or higher taxes; and the more that the noses of people like Malcolm Rifkind, the British Defence Secretary. can be rubbed into this logic the better.

The grumbles about a unified Budget are fourfold. First there is said to be an undue strain oo the Treasury In a short period in the autumn. The second is that the gap between a late November Budget and the beginning of tha financial year in April is said to provide a heaven-sent oppor-

The mistake has been not to go far enough to bring tax and spending together

tunity for parliamentary mischief-makers to try to overturn the chancellor's decisions. The third is that a November Budget has to be decided on the basis of a premature, and therefore unnecessarily bad. guess about economic and revenue prospects, compared with ment made in March. There is apparently a fourth objection: that the Conserva-tives are depriving themselves of the opportunity of a spring electioo a few weeks after a tax-cutting March Budget. This is not even good politics, overlooking as it does Abraham Llocoln's saying about not being able to fool all of the people all the time.

The answer to the first point about the overload on the Treasury is "hard luck". The seasonal pressures are a hazard of the job, as similar pressures are for farmers and fishermen. The second objection would amount to contempt of parliament if it had more substance. Where quick implementation is

the finest watch in the world. The reason is very simple. It is made differently. It is made using skills and techniques that others have lost

or forgotten. It is made with attention to detail very few people would

notice. It is made, we have to admit, with a total disregard for time. If

possible, as in the case of VAT and drink and tobacco duties, new rates can come into effect the day after Budget Day, irre-spective of when that day is. The gap in implementing say, income tax decisions, is adminwith the financial year. Indeed, Novembar announcements should enable new income tax rates to come into force at the beginning of the financial year in Aprit instead of in high sum-

Thus we are left with the third difficulty, of guessing the fiscal outlook a faw months before the start of the financial year. On the Treasury's own doctrines this should be a minor problem. For the official view - not mine - is that tax rates should be set to bring the Budget back towards balance over several years, accepting that progress will be slow in years of recession or modest recovery and relatively fast

when growth is more rapid. If that is so, the chancellor should not be panicked into raising taxes because recovery is slower than foreseen; nor should be become more relaxed if economic prospects improve. In elther case a departure from the target balance would be a belpful stabiliser - and even economists who are sceptical of such considerations are keen on stable tax rates, based on an assessment covering a whole business cycle, for supply side rea-

It seems that, whatever poli-

ticians and officials think they believe, the ghost of Philip Snowden, the ultra-conservative Labour chancellor wbo tried to balance the Budget in the 1931 depression and destroyed his party in the pro-cess, still stalks the corridors. My own proposal, made in Economic ViewpoInt on October 21, is for announcing slow-motion revenue increasing reforms, desirable in themselves, like phasing out mortgage interest relief, hut coupling them with offsetting tax-cutting proposals to be introduced if the economic and fiscal position allows. This is hardly throwing caution to the

a particular Patek Philippe

ome stark financial numbers will dominate today's annual gathering of the world airline industry in Dallas, Texas.

Mr Pierre Jeanniot, the direc-tor-general of the International Air Transport Association (lata), will report to the organi-sotion's 221 airline members that they lost \$11.5hn on international schaduted services alone between 1990 and 1992 more than all the net profits made by the industry since international airlina services began just after the first world

The combined industry losses are even bigger if domes-tic services and other activities are included, swelling the total to \$15.9bn for the same three-

year period.
Although extensive cost cutting and restructuring, coupled with a slow but steady recov-ery in air travel after the Gulf conflict in 1991, have started improving the industry'a over-all outlook, Mr Jeanniot axpects airlines to report

another hig loss this year.
"It will be surprising if lata members' losses in 1993 are less than half of those in 1992." he says. That would put 1993 airline tosses oo international services at \$2.4bn-\$2.5bn after a record deficit of \$4.8bn last

All this financial agony combined with increasing liberalisation has forced the pace of profound structural change. Direct employment bas fallen by some 80,000 people and about 1,000 aircraft deliveries were cancelled or deferred last year as carriers continued to reduce costs by eliminating marginal nperations, increase sub-contracting and concentrate on their core airline business. according to lata's

annual report.

They have also had to adapt to changing consumer demands fuelled by increasing cost consciousness in all sectors of the economy. This has led to an overall decrease in fares. (in real terms, the economy fare between New York and London is now half what it was in 1950), a reduction in first-class services, improved business-class services and growing demand for more low-

cost leisure travel seats. Perhaps the most significant trend bas been the scramble for mergers and alliances, with alrlines seeking to position themselves in an increasingly global and deregulated market. The list of partnership agreements completed or under negotiation keeps growing. Lufthansa of Germany last month forged a strategic link

Slow recovery on the runway

High losses and liberalisation are forcing airlines to restructure, say Paul Betts and David Gardner

lata airlines	corporat	e resul	ts 198	8-92	
\$bn	1988	1969	1990	1991	1992
Operating revenues	125.1	144.5	193.2	186.2	199.8
Operating expenses	118.9	140.2	192.4	187.0	200.4
Operating result	a.2	4.3	na	-0.8	-0.6
% of revenues	5.0	3.0	n 4	-0.4	-0.3
Net result	2.5	0.6	-5.1	·S.3	-7.S
% of revenues	2.0	0.4	-2a	-1.8	-3.8
lata internation	al schedu	led ser	vices 1	988-9	92
\$bn	1988	1969	1990	1991	1992
Operating revenues	60.9	70.7	91.0	91.7	103.5
Operating expenses	57.5	68.1	90.S	92.3	104.5
Result before Interest	3.4	2.6	0.5	-0.6	-1.0
Net interest payable	1.8	2.3	S.2	3.4	3.8
Result after interest	1.6	0.3	-27	-4.0	-4.8

with United Airlines of the US; negotiations hetween Swissair SAS, KLM and Austrian Airlines to combine their operations have reached a critical stage; and British Airways has bought equity stakes in USAir, Qantas and two smaller European regional airlines. These are just some of the big-

The financial losses of air-lines have also provoked 'unique" government responses, says lata. "For the first time, governments on both sides of the Atlantic have simultaneously recognised the threat to the long-term viability of aviation as an integrated and global transport system, lata notes in its annual report

In the US, this has led to the establishment of a presidential commission to recommend steps to help restore the profitability of US carriers. In Europe, the EC has set up a committee of "wise men" which is due to suggest measures to support the recovery of the European airline indus-

try by the end of the year. But these government initiatives have once again raised the threat of a return to tighter regulations and protectionism. The concerns are particularly acute in Europe, where many state-owned flag carriers have heen slower to restructure their sctivities and have been calling for more state support. In contrast, the first tentative signs of improvement are emerging in the US industry, with several carriers, including American Airlines, the bigges US carrier, reporting profits in the third quarter of this year. Under pressure from some national flag carriers and their government owners to rein-

state some form of protection for European airlines, the

European Commission has stated that it will resist any attempt to curb liberalisation in European air transport. What some of them are after apparently is a price cartel," says Mr Karel van Miert, the Belgian socialist who holds the EC's competition portfolio.

The most significant trend has been the scramble for alliances

That, we cannot and will not

allow. We won't accept a fare

cartel or a capacity reduction

cartel," he adds, accusing some airlines of "a certain nostalgia" for pre-open skies days - the era of airline cartels.

Mr van Miert's warning followed a proposal by Belgium to reintroduce the capacity-sharing the EC has outlawed as well as Community funding for airlines in trouble to get round the tougher state aids regime the Commission is now enforc-

Belgium has so far received little support for its ideas, reduce costs and consolidata into stronger alliances capable of taking on US and Asian carriers. Brussels is prepared to help, hut only within the struc-

ture of deregulation.

The EC has, for instance, started investigations into monopolies for ground ser-vices, such as baggage handling and refuelling at sirports in Spain, Italy and Germany. Liberalisation in these areas would reduce airline costs. So too would any success in the Commission and Industry's campaign to unify Europe's costly and fragmented air traf-

fic control system.
On state aid, the EC has in the past two years approved recapitalisations for Air France, Sabena, tha Belgian airline, and iberla of Spain. But approval was tied to restructuring plans with the EC warning these airlines they could not come back for more state aid in the future.

Air Francs, however, is again seeking fresh funds from its state shareholder as part of a restructuring programme which has provoked fierce reaction from its trade unions. Brussels will now also have to decide whether to let through government cash injections for Aer Lingus, Olympic Airways of Greece and probably TAP,

the Portuguese airline. But the rearguard action hy some European flag carriers to win more state support and reintroduce some of the nld capacity and fares regulations is unlikely to halt the trend towards more "open akies". "I think we are now too far down the road to reverse the process," says Sir Colin.

For lata, air traffic congestion at airports and in the air remains "the greatest long-term threat" to the indus-try. "Lack of infrastructure could limit both the size and scope of the future industry."

see liberalisation rolled back. it says in its annual report. He also has the backing of air transport liberals led by the The scale of the infrastructure challenge is simply put. Last year, the airlines carried Echoing these views, Sir more than 300m international Colin Marshall, BA's chairman, scheduled passengers. Even told the EC "wise men" that after scaling back earlier the European airline industry long-term air travel forecasts must be supported by policies made before the latest crisis, lata still expects avarage annual growth of 6.6 per cent which enhance competition. He added that capacity should be limited by market forces and between now and 1997. If this not hy voluntary agreement latest forecast proves correct, between airlines and that the lata estimates that 114m more restructuring of the European people will be flying in 1997 industry should be allowed to than did in 1992.

The implications are clear. Without adequate new airport and air traffic control investments, the industry's wings will be clipped just as it starts showing signs of financial

LETTERS TO THE EDITOR For more than a century and a half, Patek Philippe has been known as

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Facing the unpleasant auditing decisions

From Mr Roger Davis. Sir. In response to my plea (Accountancy Column, August 19) for auditors not to seek refuge in rule books, the chairman of the United States Financial Accounting Standards Board is right to say that accounting standards and professional judgment should be equal partners ("Balancing

rules and professional judg-ment", October 14). My concern is that they could become very unequal. Mr Beresford identifies correctly the tendency for business peo-ple and auditing firms to ask for more accounting rules so as to avoid having to make diffi-cult judgments themselves. Major husiness decisions are inevitably influenced by accounting standards and it is vital not to create an unneces sary accounting straitjacket on company directors.

l agree with Mr Beresford that there is more to be done through accounting standards to ensure comparability of accounts. His example of merger and acquisition accounting - and bow you account (or don't account) for goodwill - is a case in point In

But his other example of accounting for Ioreigu cur-rency hedges illustrates my point. To achieve accounting certainty, the standard setters bave traditionally associated them with the balance sheet rather than with their real purpose of protecting future cash flow, which requires more

It is thet kind of conflict between accounting definition and commercial reality which we need to avoid.

t repeat my request for busi-ness and the auditing profes-sion to take more of the unpleasant decisions for them-selves. In the long run this will be good for industry and good for the profession, and it will make life easier for Mr Beres-ford and his fellow standard Roger Davis, head of audit,

Coopers & Lybrand, 1 Embankment Place, London WC2N 6NN

No benefit to housing market

From Mr A M Coles.

Sir, You report, "Heroic ceivable that private sector At a time when the govern-From Mr A M Coles. ties" (October 28), thet there will "probably [be] new restrictions on benefit payments to

cover mortgage interest". The exact nature of these restrictions is not clear. Neverbeless, it has been suggested in other media that the role which the state plays in protacting mortgags borrowers from the consequances of unemployment might be taken over by private insurers. There will be thres major consequences of any such change, their severity depending on the extent of the reduction in state

(a) An increase in the number

hensive as that currently offered under the income support regulations. Any saving on expenditure on income support would probably be more than absorbed by increased expenditure on the provision of housing to the homeless. (b) An increase in the cost of mortgage finance, reflecting both the increased risk of lend-

schemes could be as compri

ing on mortgages, and the cost of insurance premiums. (c) Some potential purchasers, identified by private insurers as particularly vulnerable to unemployment would find it

very difficult to enter the mar-

ket because unemployment

ment is seeking to extend still further the groups of people able to become owner-occupiers through its rents to mortgages scheme, it is entirely inconsistent to be cutting back on the support which the state is able to offer if things go wrong. More generally, with the housing market remaining in deep recession, changes of the type being proposed will have the effect of putting back still further any meaningful recovery in activity.

A M Coles,

director general, . Council of Mortgage Lenders, 3 Savile Row. London WIX IAF

Government commitment on Bosnia still strong

From Mr Douglas Hogg MP.
Sir, Edward Mortimer ("No news is good news". October 27) implies that, because Bosnia and Iraq are now less in the headlines, the govern-ment's concern, and Britain's efforts to promote peace and to ralieve suffering, have lessened. This is quite wrong. Not-withstanding a reduction in media coverage, these issues and the plight of the civilian populations affected remain

very high on our agenda. Wa are aware of the humani tarian crisis Bosnia faces as a result of the continued fighting and winter conditions. All parties have been responsible for actions which have disrupted the aid convoys. But all convoys in the area covered by the 2,300 British UN forces get through albeit sometimes after through, albeit sometimes after delay. Our troops have escorted more than 1,500 convoys carrying nearly 70,000 tonnes of supplies. The RAF has flown nearly 900 flights to Sarajevo delivering more than 11,000 tonnes. We shall continue our aid effort this winter. There can be no question of using force to fight the aid through, as Mr Mortimer suggests. This would inevitably draw the UN forces into the conflict, threatening both their security and the humanitarian effort itself. But the threat of

effort itself. But the threat of air strikes agreed by Nato in August still stands: the Serbs and others must be in no doubt about Nato's determination to

launch such strikes if they resume, for example, the stran-gulation of Sarajevo.

It is true that the Bosnian Moslems' effective rejection in late September of the peace package negotiated hy Lord Owen and Mr Stoltenberg has dealt a blow to the prospects for an early end to the fighting. But they are continuing their efforts, which offer the only real hope of a lasting peace. We do not suppose that reconvening the international

conferance - probably in Geneva, not London - would, by itself, produce a solution. Any such conference must be properly prepared, with move-ment beforehand by all parties to the conflict. That is what the co-chairmen are pursuing. As for Iraq, we have not relaxed our pressure. Nor will we do so until Iraq complies fully with its obligations, undar the Security Council's ceasefire terms. We will do what we can to give political and material support to the population in northern and southern fraq while the regime continues its repression. But recognition of an alternative provisional government is not provisional government is not on the agenda. Indeed, the Iraqi opposition itself is com-mitted, as we are, to maintain-

ing the unity of Iraq. Douglas Hogg, minister of state, Foreign and Commonwealth Office, London SWIA 2AH The politics that does not deserve space

strom Mr P B Matthews.
Sir, As a recent convert to the FT, I hope you will allow me to say how much I disagree with the letter from Jack Straw (Color 28):
In considering what to publish

lish, newspapers must remem-ber that readers' time is lim-ited, and hence what matters is the importance to them of politicians' speeches compared with other matter competing for space. I recently co-wrote a book on a major new piece of legislation, and for this purpose I was obliged to read every debate in both Houses of Parliament (including committees). Frankly, 95 per cent of what I had to read was drivel that did not deserve to be that did not deserve to be printed, even in Hansard, let alone in newspapers. And Mr Straw may care to note that most of the remaining 5 per cent was uttered in the House of Lords. I prefer to read a newspaper which prints things of some value.

Granted actual decisions of

Granted, actual decisions of government or parliament, and the occasional the occasinnal policy announcement, are - or may be news, and may be reported on that basis. However, the puerile posturing of self-impor-tant, second-rate intellects is not. Hence my preference for Paul Matthews,

Hopkins & Wood, solicitors, 2-3 Cursior Street,



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FINANCIAL TIMES

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European union

The state of the s

AS OF today, the Treaty of Maastricht is legally in force. Whether they like it or not, and whether they know it or not, all nationals of the 12 member states of the European Community woke up this morning as something which last night they were not, namely citizens of the European Union (EU).

That may not make them feel any different. Its only direct practical effects are to give them the right to petition the European parliament, on matters of EC competence which directly concern them; the right to complain of EC maladmints tration to an ombudsman appointed by the parliament; and, if they are resident in a member state other than their own, the right to vote in European elections (starting next year) and local elections (starting in 1995).

Yet the EU is more than the EC writ large. Besides the EC itself, it includes two other "pillars". One is intended to provide it with a "common foreign and security policy", leading in time to a common defence policy, perhaps even a common defence. The other institutionalises co-operation between the member states on justice and home affairs.

Within the Union, the EC itself is significantly modified by the treaty — though the most spectacular changes, creating an economic and monetary union (Emu), are supposed to take full effect only in five, or at the earliest three, years' time. Events since the treaty was signed have made it doubtful whether either this timetable, or the procedure envisaged, are realistic. The European Monetary Institute, which will start work on January 1, should see itself not as the police force of the treaty but as a useful forum for rethinking both the path to Emn and how best to manage what may prove an extended interimperiod.

Taken as a whole, the treaty was drafted too soon and too quickly to be an adequate response to the collapse of communism. That has brought into being a Europe radically different from the one in which and for which the EC was built. The chance to extend western Europe's zone of prosperity and security eastwards is far too valuable and the risk of contagious instability in central Europe if the chance is missed far too great, for the EC to be able to ignore it. Hence the historic decision, made in Copenhagen last June, that "the associated countries in central and eastern Europe that so desire shall become members of the European Union".

Strategic issues

But to meet the needs of a new and wider Europe the EC will have to adapt in ways different from, and more radical than, the changes that come into force today. The principle of the sacrosanct acquis communautairs—that new members must adapt to arrangements previously agreed between existing members, rather than vice versa—will simply not work when what is envisaged is an expansion that will eventually double the number of member states, bringing in new members with very different political and economic traditions.

It is true that that expansion will take some time. But it would be folly to imagine that the problems can be solved by dealing with them piecemeal, in a succession of negotiations with small groups of applicant countries. On the contrary, that procedure would virtually ensure that the strategic issues were not confronted and that the end product was utterly incoherent and unworkable.

As things stand, the EC is pursuing enlargement negotiations with four Effa countries, and is due to hold an intergovernmental conference in 1996 to revise the union treaty as far as seems desirable in the light of experience. It might make more sense to bring the conference forward and combine it with the enlargement talks, so that the parliaments and electorates of all 16 countries could consider the results simultaneously.

On the day-to-day level, the immediate task for the 12 must now be to try to operate the institutional machinery provided by the treaty and see how it works. But that should be combined with serious thought at the strategic level about the union of the future – a process which cannot be confined to 12 states or even 16. All the likely future members of the union must be involved in it, which means that some sort of skeleton institutional structure for it should be established as soon as possible.

It is clear that a union of the size and diversity envisaged cannot be highly centralised. It should have a single, open market, but its member states must be free to experiment with measures to alleviate their employment problems and to decide, within limits, their own macro-economic policies. For unless it can achieve sustained economic growth and unless it can reduce unemployment well below its current levels in both eastern and western Europe, the union is doomed to fail. It faces a formidable challenge from the new and dynamic economies of east Asia. It has no hope of meeting that challenge if it seeks to impose on all its members the social regulations that the most prosperous

still think they can afford.

Open relationships

Full economic and monetary union of such a large area could only come about over several decades, if at all. Even then the national identities of the member states and the desire of their peoples to retain control of their own destinies, would have to be carefully entrenched and protected. They would not tolerate any attempt to merge them into a single state, even a federal

There could and should be no question of such a union fencing itself off from the rest of the world with tariff or non-tariff barriers. On the contrary, Europe can remain prosperous only if it maintains open relationships with the rest of the world, particularly in trade and investment. Indeed, the union should play a major role in securing global economic order.

Yet to talk of "playing a role" implies a capacity to take decisions and to act on them; and a union of that size will not be able to avoid responsibilities in the area of physical as well as economic security. So although "widening" may rightly be seen as the enemy of "deepening", when the latter means a highly intrusive central power, the same is not true when "deepening" means strengthening the ability of the union to decide and to

act within the areas agreed.

In matters essential to its functioning and survival – notably internal and external trade, free movement of capital and labour, but also the key areas of foreign and security policy, including immigration, asylum, the fight against transnational crime and at least some aspects of defence – decision-making processes will need to be streamlined and sovereignty pooled. The union will not be effective in a crisis if its every move has to be unanimously approved in advance by the representatives of 20 or 30 separate bureaucracies. A central question will concern the necessary increase in the voting weights to be exercised by the large countries within the community.

It will obviously be a long time before even all the existing members, let alone all the future ones, are ready to make the sacrifices of sovereignty required for an effective union in this sense. Some, moreover, will be more interested in participating in the economic and monetary aspects, while for others the issues of physical security will be paramount. It is therefore inescapable that those who are ready to act together in a particular area should move ahead and do so, using or creating whatever institutions are necessary. That is already happening whatever institutions are necessary. That is already happening with border control (the Schengen treaty), with defence (the Western European Union), and with the management of exchange rates. It would happen for Emu even if Maastricht were applied to the letter, since not all member states would be ready for stage three at the same time. "Variable geometry" is not something to be ashamed of. It is in fact the only way a viable European union can be built.

t was one of those rare shifts of perspective that make the world suddenly look a very different place.

It came courtesy of Mr George Fisher, one of America's most respected managers, who caused some surprise last week by moving from the chairmanship of high-flying electronics group Motorola to head Eastman Kodak, the struggling photographic products giant which had ousted the previous chairman, Mr Kay Whitmore, because of its lacklustre financial performance.

What, in addition to an extremely generous pay package, would prompt Mr Fisher to exchange his comfortable job for such a bed of thorns and abandon suburban Chicago for the stolid provincialism of Rochester, Kodak's home town in rural upstate New York?

The 52-year-old Mr Fisher explained he had a vision of Kodak playing a leading role in the "information revolution" - shorthand for the convergence of the communications, computer and information sectors into one giant multi-media industry, tied together by their ability to transform data into common, digital electronic form.

digital electronic form.
"I have lain awake for the past two nights thinking about the possibilities," he enthused, adding that while 90 per cent of his ideas might not work, 10 per cent of them would be "killers".

On one level he was stating the obvious: Kodak, at heart a chemicals company, knows its long-term prosperity depends on it mastering the electronics revolution which is transforming photography, along with so many other industries.

The company has, after all, poured vast sums of money into electronic experiments over the past decade. And many of them have been failures – a reminder that Mr Fisher's grand schemes may be devilishly hard to deliver.

The importance of his remarks was that he presented a snapshot of a bold, aggressive and optimistic enterprise, riding the crest of a technological wave – and the picture carried a degree of conviction, thanks to his successful career so far on the cutting edge of the electronics industry.

That is a stark contrast to today's popular image of Kodak. For it is a company, lacking any compelling vision, which has been defined for a decade or more not so much by its possibilities as by its problems. Its stumbling attempts to overcome them present a case study in the difficulties of shaking up a rigid, corporate culture.

Ever since the 1970s, the company, which pioneered the massmarket photography industry and remains the world's largest manufacturer of film, has been haunted by two big threats.

One is electronics, which allows images to he created without the chemical process which has characterised the photography industry since its birth - the sensitivity to light of silver halide salts. Electronic cameras, ranging from simple consumer camcorders to sophisticated still cameras, have been nibbling away at the market for traditional film, slthough they do not yet pose a serious threat to it and may not for many years. This is partly because no-one has yet invented a cheap, high-quality, digital still camera and partly because silver halide is still unrivalled as a medium for capturing the sharpest, most subtle images.

The other threat to Kodak is more

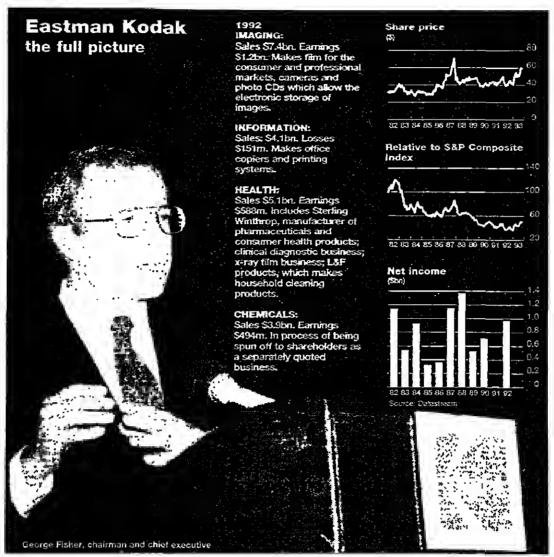
The other threat to Kodak is more immediate. It faces increasing competition in the film manufacturing business - the company's financial engine, churning out a fabulous stream of cash flow - from manufacturers of rival branded and ownlabel goods, sold at a discount to Kodak's product.

Its arch-rival is Japan's Fuji Photo Film, known for its bold colours and a history of imnovation, but others include Germany's Agfa and America's 3M.

The competition has been growing for several decades – a period when growth in the western world's consumption of film has slowed from around 10 per cent a year to a modest 4 per cent.

Kodak's new chairman wants the group to play a leading role in the information revolution, writes **Martin Dickson**

Focusing on grander horizons



Despite years of competition, Kodak still commands well over half the global film market and may even have been gaining share in some countries, as its reputation for quality, - its single most important asset - recovered from a dip in the 1960s. It retains one of the world's most powerful brand names.

The trouble is that a combination of sluggish sales growth, loss of market share and pressure on prices has held back its photography profits, while the company has poured the cash from this business

Eastman Kodak has been defined for a decade or more not so much by its possibilities as by its problems

into lavish levels of research, goldplated capital investments and unsuccessful diversifications which have failed to lift earnings.

To no avail it has also taken a succession of large charges against earnings for restructurings over the past aight years and implemented two big changes in management structure – the second to put right the flaws in the first.

"The frustration of many longtime shareholders is that the company seems to have spent these vast sums of money...and there hasn't been an incremental return on those investments," says Mr Michael Ellmann, an analyst at hrokers Wertheim Schroder. todeed, Kodak's 1992 net income of \$1.15bn (£821m), on sales of some \$20bn, was slightly lower than its income in 1982 and the company is forecasting operating earnings this year no higher than last.

Many of the company's problems are personified in 61-year-old Mr Whitmore, who became chairman in 1990. He is a cautious, kindly man who joined Kodak as a film manufacturing engineer in 1957 and is steeped in the company's paternalistic culture. Repeatedly prodded by shareholders and the board, he started drawing up a plan of action this year to improve the company's performance, including cuts in the research budget and the spinning off of its bulk chemicals subsidiary as a separately quoted company.

But be seemed unwilling to take

But be seemed unwilling to take the tough action needed to boost earnings from the current 5 per cent of sales to the board's 10 per cent target, including severe joh losses. And he appeared unable to articulate a clear growth strategy.

Yet while Mr Whitmore has hecome the fall-guy, the roots of Kodak's problems stretch back through at least two other chairmen and arguably to the origins of the company set up in Rochester in 1880 hy George Eastman, a high school

drop-out.

Eastman, a marketing genius who sold the world's first simple camera under the slogan "you push the hutton, we do the rest," huilt Kodak into the dominant force in the industry, at one time commanding some 90 per cent of the film market. He was also a pioneer in labour relations, lavishing generous health care and retirement benefits on the

OBSERVER

workers of Rochester, a city whose most striking landmark remains the solid, square tower of Kodak's beadquarters.

Kodak's extraordinary success, combined with the insularity of Rochester and the company's dominance of the town, bred a mixture of complacency and arrogance.

Kodak found Japanese rivals stealing a lead with essier to use

Kodak found Japanese rivals stealing a lead with easier to use cameras, faster films, more efficient processing and marketing innovations such as the disposable camera, which is thrown away after its

When Kodak started realising its problems, its efforts to right matters were often half-hearted,

ill-focused, or wrong

pre-packed film is processed.

Its arrogance was demonstrated most clearly to its reaction to Polaroid's invention of the instant camera. Kodak first dismissed it as a fad, but belatedly followed Polaroid's lead – only to be forced from the market hy a 15-year patant infringement suit which cost it \$925m in a 1991 settlement.

Even when Kodak began to realise its problems, its efforts to right matters were often half-hearted, ill-focused, or just plain wrong, to the film husiness, for example, it took an expensive gamble on disk cameras - small cameras with film mounted on a disk - which it halled in 1982 as the "new engine which

will drive amateur photography."
But consumers favoured the simplified 35mm cameras pioneered by
Japanese rivals, which produced
higher quality pictures. Kodak
abandoned the disk five years ago.

higher quality pictures. Kodak abandoned the disk five years ago. It made an abortive foray into marketing Japanese built camcorders and squandered a lead over Xerox in photo copier design.

It diversified into a bodge-podge of businesses (many of them sold during the past year), such as Atex, the newspaper copy processing system. The spree culminated in 1968 with the \$5.1hn purchase of Sterling Drug, a pharmaceuticals and over the counter drugs company.

Kodak could advance a plausible

Kodak could advance a plausible rationale for a pharmaceuticals acquisition: its chemicals expertise has given it a wealth of formulae which could be useful to a drugs company. But it paid a fancy price for Sterling, a company with a thin research pipeline which so far has failed to pay its way – while landing Kodak with a vast deht burden.

However, the record is not universally dismal to the electronics field, Kodak and its Dutch partner Philips have scored a considerable coup with their invention of the photo CD system, introduced last year. This involves scanning ordinary silver halide photographs into digital form and then storing them on discs, like compact records. Using a photo CD player, the pictures can can then be displayed on television or computer screens.

or computer screens.

But while increasingly popular with husiness users, this transitional technology between the silver halide and digital worlds has failed to take off in the important consumer market. "It's not inexpensive, it tends to be complicated for the average consumer and it's just not walking off the sbelves," says Mr Eugene Fram, professor of marketing at the Rochester Institute of Technology, to other words, it's not a profits blockbuster.

Kodak may have some significant digital inventions in the pipeline. One rumour suggests it is near to unveiling a camera developed jointly with computer company Apple. Yet some critics argue that the company has been reluctant in the past to commit wholebeartedly to electronic photography, for fear of the damage this could cause to the silver halide side.

To the extent that electronics needs a shot in the arm, it should get one from Mr Fisher, whose whole career has been spent in this industry – first at Bell Laboratories, the American Telephone & Telegraph research centre, and since 1976 at Motorola, where he has played a central role in turning the company into a leading manufacturer of mobile telephones and pagers and the world's fourth largest semi-conductor manufacturer.

But his most immediate problems will be more prosaic and unpleasant. Despite little experience in corporate refrenchment, be needs to cut costs quickly – possibly with job losses above the 10,000 reluctantly announced by Mr Whitmore in August – to increase cash flow and reduce Kodak's debt burden.

He may also sell peripheral assets. He totends to keep the healthcare division as one of two "pillars" of Kodak, alongside imaging, having been pleasantly surprised by an independent report on the business prepared for him by an investment bank. But analysts think the barely profitable photo copier business might go and also the household products subsidiary.

No less important for the long-term will be rehuilding the management team - a task at which Mr Fisher is said to excel - and instilling to it a greater degree of marketing expertise than Kodak has displayed recently.

has displayed recently.

As a cure for myopia, Mr Fisher might also consider moving the headquarters from Rochester. As it is, his first comments have raised Kodak's sights from the bumdrum, but necessary, task of restructuring to far grander horizons of technological triumph.

Visions, of course, are two-apenny, and it will be no easy matter to turn this champion of the first industrial revolution into a winner in the next. But at least it's a start.

Boo to

■ For all you folk soundly asleep at midnight lest night, unmoved by the passing of a momentous historic occasion, welcome to European Union.

"Nothing could better illustrate this stillborn treaty than its coming into effect on the eve of the day of the dead". One of many to remark on the enant with which the treaty's coming is greeted. French farright nationalist Jean-Marie Le Pen may have a

By contrast with the short history of the European endeavour, All Souls' Day was first celebrated 995 years ago at the behest of Odilo, abbot of Chuny. He had been struck by the tale of a pilgrim returning from Palestine who had been wrecked on a rocky isle, home to a hermit. The pilgrim had promptly been led to a fiery crevice, from which issued the groans of tormented souls. The good abbot duly ordered that a day be set aside to commemorate all those in purgatory.

How long, then, should Europe's politicians suffer before they are forgiven for signing Maastricht?

Hot property

■ The rest of Europe may fiddle, but the mighty Deutsche Bank

seems to have its eye on the main chance. Last week, Germany's leading commercial bank completed probably the largest property deal to the British capital in more than two years when it acquired, through its 60 per cent owned subsidiary DGI, the long leasehold of One Exchange Square.

So now that it has become landered to the Furnance Rank

So now that it has become landlord to the European Bank for Reconstruction and Development, why not offer that other breed of Eurobankers a home as well, seeing the EMI has been secured by Frankfurt?

After all, the idea that Europe's

After all, the idea that Europe's new central bank should be boused in the cavernous IG Farben building was always faintly risibla, given that the simply vast edifice built for the pre-1945 chemical conglomerate has since housed as many as 60,000 US soldiers.

As the Bundesbank has rented a number of floors in the landmark Messeturm skyscraper, that too is ruled out if the new Eurocrats are to be spared waspish words in the elevators.

But what about the so-called

Trianon, the hrand new building a D-Mark's throw away from Deutsche Bank's twin towers? Ten floors higher, it was originally supposed to be the new headquarters of BIG, but it was snapped up by Deutsche when the former union bank fell on bard times. It is only two thirds let, so EMI president designate Alexandre Langalussy might like to turn up to the dedication bash this

'My salary smirks at gravity'

(SAUK)

Thursday to have a look around.

Then again it is perhaps not a long-term solution, intended to be redolent of Marie-Antoinette's village in the grounds of Versailles, the name of the building could prove something of an embarrassment, as EU enlargement progresses. Not everyone will have forgotten the 1920 Trianon treaty according to which two thirds of Hungary's territory was confiscated after the first world war.

Gas bags

■ It was, by all accounts, a very auspicious meeting, when Cedric Brown, chief executive of British

Gas, first sat down with his new regulator, Clare Spottiswoode. Spottiswoode, who takes over from Sir James McKinnon today, invited herself round a few days ago for an hour's introductory chat. The pair hit it off so well that she

stayed for two and a half.
"It was very constructive and wide-ranging," beams Brown. "We talked about issues spanning the whole breadth of the husiness to a way which we'd never done before. It bodes well."

Which marks something of a departure from the stormy encounters that characterised British Gas's relationship with Sir James in the bad old days, Even McKinnon has mellowed

Even McKinnon has mellowed a touch. At his farewell party last week, be spoke almost fondly of the people "in that huilding down by the river" - not that he could bring himself to mouth the name of the company inhabiting the Thamesside headquarters.

Knock knock

■ Guess who's moving in next door to Lord Rothschild, Rupert Murdoch and John Paul Getty 1I in a particularly salubrious corner of St James's, just off London's Green Park? Popping round for a cup of sugar any moment now will be Tiny Rowland's bète noire, Dieter Bock, the German financier, who last week rechristened his Lonrho colleague as his "dear disjointed chief executive".

The building containing Bock's new flat was designed in 1960 hy the high priest of British modernism, Sir Denys Lasdun. Being something of a design freak himself, Bock is in the process of gutting the apartment to return it to its former glory.

While Observer is not party to the price at which Bock secured his new pad, the asking price, for a 32-year-lease, was £1.8m, with service charges in excess of an annual £25.000.

Apparently the basement car parking space costs another £5,500 a year - which seems a bit steep for someone whose favourite modes of transport are supposed to he a 2CV and a bike.

Old song

■ The professional advisers behind the rescue of Canary Wharf seem somehow to have preserved their sense of bumour during the last few months of negotiations. But, as children, they were clearly all far too serious minded to watch cartoons.

The company that rises
Phoenix-like in place of Olympia & York to control the Docklands
development is called Sylvester
tovestments, apparently named
after the cartoon cat that pursued
Tweety Pie, the canary.

Only problem is, in the cartoon
Tweety Pie was never caught.
Unlike the bankers and other
creditors to Canary Wharf ...



FINANCIAL TIMES

Monday November 1 1993



Delors gives hint that he will not stand for the French presidency

By Llonel Barber in Brussels

European Commission presideot, yesterday gave the clearest hint to date that he may not stand in the 1995 French presidential elec-

Mr Delors, 68, said in an interview with the Journal du Dimanche that he had no intention of quitting his job in Brus-sels before the end of his final term in January 1995, "I'm going to serve to the end," he said. Mr Delors' suggestion that he may bury his ambitions to enter the Elysée defies his continuing

strong showing in Freoch opinion polls. But it appears driven by an unwillingness to risk spllt-ting the French Socialist Party,

MR JACQUES DELDRS, The European Union slips quietly into life Page 2 Editorial comment Page 11

> which has just rallied around Mr Michel Rocard, a certain candidate in the spring 1995 election. A second factor seems to be a desire to end his 10-year career as Commission president on a high note after the traumatic hut ultimately successful ratification of the Maastricht treaty, which

enters force today. Mr Delors has told friends that he accepts he has lost the battle for faster European political and monetary integration; hut he remains determined that his

forthcoming White Paper on competitiveness will prod European eaders to tackle mass unemployment and reatore sconomic

In the interview, Mr Delors spoke of a "new deal" for Europe and expressed satisfaction with the outcome of last Friday's spe-cial EC summit in Brussels, whose most significant decision was to locate the European Monetary Institute, forerunner of the future EC central bank, in Frank-

EC leaders agreed to widao the scope of an Ecu 8bn (\$9.52bn) European Investment Bank leod-ing facility to include energy, environmental and inner city projects rather than simply trans-port related areas. This should

from the present level of Ecu 3.3bn, an EC official said.

The summit did not tackle the memployment crisis in Europe, preferring to await the presenta-tion of the Delors White Paper at the regular summit at the end of the Belgian presidency in Decem-

But the ideological divide between a deregulation-minded UK government and others, such as Belgium and Denmark, who prefer a less abrasive approach to trade unions suggests a hot summit in December.

Mr Delors made clear that, even if he is not a formal candidate in the French presidential race, he will not besitate to enter the debate.

banks opt to

invest abroad

year, a lot of money is in west-

ern banks simply because it is

the safest place for it. If dollars

are not lent to customers inside

Russia, they are automatically

transferred to correspondent

accounts in the US for lending on

The state owned Veneshtorg

Bank, the foreign trade bank,

had \$3.54hn in correspondent

and investment accounts at Jan-

nary 1 this year, with \$36.8m

lent inside Russia. This is sepa-

According to Foreign Eco-nomic Relations Ministry figures

quoted by the report, Russia in

1992 lost \$6.4hn through unfa-

vourable barter deals where Rus-

sian exporters underestimated

the value of what they were bartering to keep the difference abroad in undeclared accounts.

rate from illegal capital flight.

Russian

Continued from Page 1

capital markets there.

Ofwat's water works

THE LEX COLUMN

Next Thursday is an important day for the UK water industry. Ofwat will produce the methodology for calculating price caps up to the year 2000. The market will probably focus closely on the rate of return that water companies are allowed on new investment. The industry seems resigned to an outcome towards the lower end of the 6.5 to 7.5 per cent range suggested by the Monopolies and Mergers Commis-sion for British Gas's pipelines business. Ofwat will probably also disclose its method for measuring the companies' asset base. These are the main theoretical tools for setting price limits in the second half of the decade. The snag is that Ofwat may have to

bridge a gap between theory and prac-tice. A lowish rate of return would leave companies such as South West and North West with weakened bal-ance sheets. Ofwat is therefore likely to leave open the option of more relaxed price limits from some companies to keep interest cover in shape. But it seems too much to hope that the regulator will say how far it thinks each company's financial ratios might be stretched. Without a steer on that point, judging the final outcome of the review will still be a matter of guesswork.

Exactly how much capital expenditure will have to be financed through the second half of the decade will also remain uncertain. The government'a missive oo the subject last month left open the possibility of renegotiating Europe's tougher water purity standards. That might cut Anglian's spending plans hy anything up to £600m over five years. But negotiating with Britain's EC partners takes time. The chances are that the industry will be back talking with the regulator even after a settlement has been reached on the final price caps.

Lloyd's trusts While the gaggle of Lloyd's insurance funds look likely to gain investment trust status, they have little in common with conventional trusts. The net asset value of Lloyd's trusts' bond and equity holdings will be easily measured. But the real balance of risks and rewards lies with underwriting exposures at Lloyd's. Profits and losses from underwriting can not be quantified until the 1994 underwriting year closes, in three years' time under Lloyd's accounting rules. Without a secondary market in syndicate participations, these exposures can not be easily valued in the meantime.

Vield relative to the FT-A All-Share vield

Lloyd's trusts should thus perform like insurance companies, trading at a premium or discount to the value of their underlying investment portfolio, depending on the underwriting outlook. How investors are expected to judge the climate at Lloyd's is a complicated issue. Composite insurers are already vulnerable to hurricanes and

earthquakes, but Lloyd's syndicates

carry a far higher gearing to such unpredictable catastrophes. Claims

arising in obscure US courtrooms can have equally damaging effects. That argues for a strict disclosure regime to ensure equal access to information. Individual names at Lloyd's receive quarterly reports, including claims figures relating to the syndi-cates in which they participate. Stock market investors have a right to expect equal treatment, not to mention stock exchange announcements when the Lutine bell tolls.

US economy

A series of economic statistics this week - from purchasing managers' surveys to Friday's employment report should confirm that the US economic recovery has gathered pace in the second half of the year. Growth forecasts for the period have increased to an annual rate of 4 per cent, with the main impetus being provided by consumer spending and housing activity. Quite why consumers are spending more freely is something of a mystery, given that consumer confidence remains subdued and earnings are not rising rapidly.

Whatever the cause, the surge in consumer spending may have an impact on manufacturing as companies rehuild depleted stocks. That should be sufficient to support growth into the early part of 1994. To main-

require an increase in employment which will only come if companies helieve that the improvement in demand is sustainable.

The economic upturn has not as yes disturbed the bond market, since inflationary pressures remain subdued. Nor is the Federal Reserve likely to tighten short-term interest rates until it is convinced that a strong and sus-tainable recovery is in train. With funds flowing out of deposits, bond runds howing out or deposits, bond yields and equity prices may be sustainable for the moment, even though the gathering recovery hrings the prospects of a Fed tightening nearer. While attention is focused on the Fed eral Reserve, the first signs of an end to the equity bull market will probably come from weakening bonds rather than rising short-term rates.

British Gas

Reports that British Gas considered breaking itself up before it went to the Monopolies and Mergers Commission will surprise those who have heard the company argue so vigorously against the idea. In part, its opposition repre-sented understandable negotiating tac-tics while the MMC was deliberating. Yet the way in which the company has switched ground threatens to undermine its negotiating position. British Gas has thought about break up, fought it tooth and nail, accepted it with alacrity when financial inducements were offered and now seems prepared to drop the idea since it is getting little support at the Department of Trade and Industry.

The DTI is a keen advocate of competition and wants to see it introduced as quickly as possible. Yet at a time when VAT is being levied on domestic fuel, passing the costs of introducing competition on to consumers would hardly he an attractive political option. If the company's lobbying credibility is dented, it risks being saddled with competition, falling market share, a squeeze on profits and no regulatory relief. That would leave the company no better off than it was before it asked for the MMC reference.

Shareholders should also be nervous, since if the financial noose were to be tightened much further, dividend prospects could start to look uncertain. The consensus may be that appeals to Gas's flotation prospectus can carry little weight now, but under those circumstances investors could justifiably conclude that they were sold a pig in a poke.

Airlines likely to suffer losses of \$2.5bn this year, says Iata

By Paul Betts, Aerospace Correspondent, in London

AIRLINES are expected to lose a further \$2.4bn-\$2.5bn on international scheduled services this year, after losing \$11.5bn in the three previous years, the International Air Transport Association warns in its annual report today. In spite of some tentative signs

of improvement in recent months, the 221 members of lata, the airline trade organisation, do not expect a rapid improvement in profitability. At best, the industry is expected to hreak even next year, with the possibil-ity of a reasonable profit in 1995

"Even then, we are not talking of healthy industrywide profits of the order of 5 per cent-6 per cent of turnover: the airline industry has never achieved this," one London airline industry analyst

Dublin puts

pressure on

said. The main cause for the heavy losses has continued to be overcapacity, provoking fare wars undermining yields, says Mr Pierre Jeanniot, Iata's director general

He notes some improvements this year, with airlines restructuring operations and capacity matched better to passenger demand. Iata also expects the trend towards more consolidation through mergers, partnerships and commercial alliances to

After increasing by 10.2 per ceot last year compared with 1991, lata expects international passenger traffic to grow hy an average of 6.6 per cent a year between now and 1997.

Last year's increase reflects recovery from the dismal performance in 1991, when passenger numbers declined for the first

the Gulf conflict. The latest fiveyear passenger growth forecast is between 1 and 2 points lower than forecasts made before the 1991 air transport crisis.

Traffic to and from western Europe - the largest international market - is expected to grow by 5.9 per cent a year. North-east Asia is expected to show annual growth of 8.7 per cent, and south-east Asia by 9 per cent a year. The fastest growth is

expected in traffic to and from stern and central Europe at 10.2 per cent a year. North-eastern Africa and central-west Africa are expected to show traffic growth of only 4.5 per cent a

IATA expects average annual world cargo growth of 7.2 per cent between now and 1997.

Slow recovery on the runway,

Continued from Page 1

Unionists

being unwilling to discuss the proposals. However, he said he would drop the proposals if he was convinced that he had become an obstacle to peace.

"If the prime minister tells me the Irish government that is going to produce a total cessation of violence, and he convinces me that my dialogue is stopping that, then obviously I am not going to be an obstacle to that," he said. Downing Street said Mr Hume

had not requested a meeting with Mr Major. However, the prime minister is willing to meet party leaders, including Mr Hume, at any time. The British government is determined not to he seen to be talking to the IRA through Mr Hume.

Saturday night dance that ended in terror

Continued from Page 1

tary organisation, the Ulster Freedom Fighters, fired indiscriminately on the customers. Seconds later, seven people, three Protestants and four Roman Catholics, were dead and several others seriously injured.

former soldiar John Burns, had no qualms about socialising with his Catholic former neighbours. Although he left the village several years ago, he always returned for the Saturday night dance with his wife. She is fighting for her life in hospital.

As a former member of the Ulster Defence Regiment, he would have been considered a target hy the IRA. But Mr Burns would never have dreamt that his co-religionists would be the men to shoot him dead.

There was no perceptible mood of revenge on the streets of the town, home to a nationalism moderated in part hy its past. The town was built during the second world war when many of its residents worked for the Ministry of Defence at the nearhy

Eglinton airfield. a source of support for Mr John Hume's Social Democratic Labour Party. Sinn Fein candidates have lost their deposits in local elections.

A few miles np the road, a hitch-hiker heading Into Limavady for a Sunday drink summed np his feelings: "I am a Catholic but I have a drink in a mainly Protestant bar. I hope I'm wrong hnt it's possible I may be asked to leave. There's just no hope for this community in the short

FT WORLD WEATHER"

De Benedetti

Continued from Page 1

altered the nature of the charges. in effect, they are alleging that Mr De Benedetti was a willing

Until now, the essence of Mr that be was forced to make payments to ministry officials and their political masters.

To demonstrate that, he said that in 1987, when he refused to comply with demands for money, Olivetti did only L23bn worth of husiness with the posts ministry. A year later, when commissions had been arranged; husiness jumped to L204bn.

prepares to surrender

party to the payments and actively connived in them.

All the other businessmen involved in Italy's corruption scandals have used a similar

Europe today

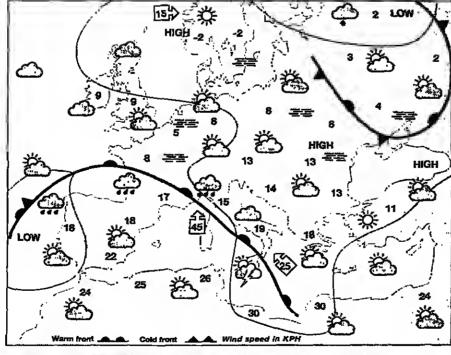
High pressure extending from southern Norway to the Black See means that northern Europe will remain tranquil and dry with a mixture of sunshine, fog and patchy low clouds. Temperatures will continue to be lower than

average for this time of year. In the Mediterranean, conditions will be changeable as a band of low pressure is still covering the area. Strong winds and heavy rainfall are expected in the Gulf of Genoa, south-eastern France and northern Italy. A separate low pressure bell near Portugal will cause overcast skies, rain and thundery showers over Spain. There will be isolated showers in the eastern

After moming fog, sunny and chilly conditions will prevail in the CIS with some scattered snow

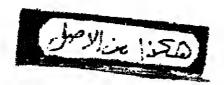
Five-day forecast

Conditions will continue to be tranquil and dry In northern areas as depressions from the Atlantic advance very slowly. It will be windy and changeable in Iceland, Temperatures will remain constant in most areas except the northern regions of Finland and the CIS, which will get colder with light to moderate frost during the day. The weather in the



Mediterranean will remain very unsettled. Malta
Manchester
Manila
Melbourne
Mexico City
Miarol
Milani
Montreal
Moscow
Munitch
Nairobi
Naples
Nessau
New York
Nice
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Oslo
Pans
Pertin
Praguie
Rangoon
Revklutuk fair shower sun fair fair fair shower fair shower sun fair fair fair snow fair 29 33 20 27 4 5 24 21 24 6 6 11 12 1 11 Cartiff
Chicago
Cologne
O' Salaar
Daker
Dallas
Delha
Dubal
Dublin
Oubrovnii
Edmburgi
Faro Frankfurt Ganeva Gibraltar Glasgow Hamburg Helsinki Hong Kong Honokulu Fisanbul Jersey Karachi Kuwart L. Angeles Las Parmas dicudy hur raim fair fair fair shower shower cloudy cloudy fair rain fog shower fair Shower fair Riyadh Rome S. Frsco Seoul Singapora Sindsholm Sinsbourg Sydney Tanglar Tel Aviv Tokyo Toronto Turns Vancouver Venice Vienna Washington Wilnipeg Zurich Latest technology in flying: the A340 Lufthansa

CORBY IS SPELI VITH AN **M**1 1993. The year of the Single European Market. 1993. The year af the aitch. A single materway-calibre link from Carby to the MI and the AIM. The anly direct MI-AI link in the middle of England. Bringing North and South, East and West, Euro-link ports and international airports into even faster reach. Putting Corby's 600 new successful companies even mare an the map. Making booming Corby even more the place for you to be. At the 'live centre' af England. In ready-made factories and modern commercial premises developed by confident private enterprise. On land where you can design and build for yourself in an area where financial incentives from the European Community are still available to encourage growth, co-operation and efficiency. I want to know more about spelling Corby with an airch: To John Hill, Director of Industry, Corby Industrial Development Centre, Grasvenor House George Street, Corby, Northants NN17 1TZ. Tel: 0536 262571 Fax: 0536 401374.





FINANCIAL TIMES COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1993

Monday November 1 1993



British

Gas made

plans to

break up

By Bernard Gray in London

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INSIDE

Resistance to 1p Ferranti bid grows

Shareholders of Ferranti International, the UK defence electronics group, are to meet to discuss ways of resisting a bid which offers them only 1p a share. They have commissioned an investment consultancy to explore alternatives. Page 14

A puritan at GPA

The new chairman of GPA, Mr Dennis Stevenson, will not be jetting the Atlantic or be photographed at charity galas. His stark and somewhat puritanical view of management is in marked contrast to his predecessor Mr Tony Ryan, Page 14

Shipbuilders go against the tide Japanese shipbuilders reported an increase in profits over the last three years that ran against the tide of most companies' earnings. Page 15

Slowdown for JVC

Tha slowdown in the domestic market and the strength of the yen this year dealt a particularly hard blow to JVC, the maker of video cassette recorders and other audio-visual products. Page

California still dreamin'



The deoth of California's recession has taken most local forecasters by surprise. But there is surely reason to believe that the Californian dream is on hold rather than cancelled. Back Page

Prospective p/e ratio

The latest prospective p/a ratio for the "500" index for calendar 1993 is 16.4 (Last week: 16.2). This compares with an estimated p/a for the "500" of 21.2 (20.9) for calendar 1992, calculated by IBES, based in New York. The official FT calculation of the historic p/e, based on the latest reported earnings, ia 20.60 (20.66).

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ı	Base lending rates
ŀ	FT A World Indices 25 Managed fund service
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Companies in	his issue
American Express	13 Hitechi Zos
BT .	14 Honshu Pa
Beverley	14 Ishikawaim
British Ges	13 JVC
Commonwealth Beni	. 15 Kawasaki I
Compass	: 14 Markheath
Daishowa Paper.	. 15 Mastercard
Diners Club	13 Mitsubishi I
Discover	13 Mitsul Engl
Eastman Kodak	11 Nippon Pag

Fernanti Inti Finsbury Trust 14 Renault 14 Stanhope 14 Visa international

Volvo investors wary of merger

By Hugh Carnegy in Stockholm

SHAREHOLDER doubts in Sweden threaten the fate of the proposed landmark merger etween Renault, the state-owned French automotive company, and the car and truck operations of Volvo. The Swedish group's insti-tutional shareholders have yet to decide whether to support the deal, which is due to be deter-

The two companies, which

for the past three years, announced plans in September to combine to form Europe's secondlargest vehicle maker in the face

company, amounts to a French state takeover of the country's leading manufacturing outfit. There are doubts over whether it will he approved at a special

Gothenburg on November 9. Most of a group of about 10 institutional shareholders who

decisions this week.

A key indicator of the final out-

ers include pension and investment funds of Scandinaviska Enskilda Banken and Svenska Handelsbanken, the country's leading banks, and the insurance groups Skandia and Trygg-Hansa. Volvo is under pressure to delay the merger until after Renault has been sold off to the

the Monopolies and Mergers Commission last year.

With financial pressures mounting as a result of tightening regulation, senior executives at the company commissioned studies into a range of options including the sale of some husi-nesses and the complete break-op of the company.

BRITISH Gas prepared plans to

break the company up in the

months before its reference to

The plans were dropped after several directors opposed them, including Lord Walker, a non-executive director, who as Mr Peter Walker was the Secretary of State for Energy responsible for privatising British Gas in 1986. As a result, formal plans were they circulated among execu-

tives at the top of the company.

That the radical plans were drawn np is a sign of bow far the company believed it might bave to go to respond to the pressure upon it from consumers and Ofgas, the iodustry watchdog. They will strengthen the hand of British Gas critics who argue it should he broken up to reduce its monopoly power in the indus-

Disclosure of the plans comes at the end of the consultation period for the MMC Inquiry into the company. The Department of Trade and Industry is expected to make a decision on the commission's proposals before the end of the year.

In the conrse of the MMC investigation British Gas repeatedly insisted that splitting the company into separate gas transportation and marketing companies was unnecessary. It argued that an integrated company would be in the best position to

meet customers needs. British Gas drew np the plans at a time when its financial position bad become increasingly stretched after Ofgas had tightened its price cap from the retail prices index minus 2 per cent to RPI-5. The Office of Fair Trading had insisted that the company give np half of its share of the contract gas market and the DTI lowered the threshold at wblcb competitors could bid for cns-

tomers. By early 1992 it was clear these measures would have a severe impact on Gas's profits and so the company started to consider radical measures to ease its burdens, including breaking the company up. Lex. Page 12

Volvo shareholders' meeting in

mined this week.

have operated a strategic alliance

of increasing international competition and sharply falling car sales on their bome continent. Critics of the deal fear the structure of the merger, which will give Volvo a 35 per cent share of the new Renault-Volvo

together control about 40 per cent of the voting capital, but have yet to say how they will vote, are due to announce their

come is expected on Wednesday when the second largest single shareholder in Volvo, s state pension fund called the Fourth Fund. makes its decision. Directors of the fund, which holds 7.5 per cent

Credit cards* in the US

divided on the merger and are seeking further information on the deal from Volvo.

Another state fund, the 92-94 Fund which holds 25 per cent of the votes, has already said it will oppose the deal chiefly because of its concerns over the lack of guarantees about the French goverament's promised privatisation of Renault. At the weekend, the insurance group SPP, which has 4.5 per cent, said it would oppose the merger without further clari-

of the votes after Renault's 10 per fications on privatisation and the cent, are understood 10 be French state's intention to hold subsequently a "golden share" in the merged company. The other "swing" sharebold-

Background, Page 15

Number in issue (millions)

Richard Waters looks behind a management change at Visa International

Card wars set to enter a new battle phase

US are full of hemused consumers. In one, a man stands immersed in a mound of rival plastic cards (he'a lucky, he's picked the best one out of the heap). In another, cards littering a lawn are sucked up by a vacuum (only one is left at the end). The message in them all is the same: in a market awash with credit and charge cards. how do consumers choose - and which of the many issuers are

going to come out on top?

The ripples from this US credit card war have spread ontward in recent months, in the procesa hastening a reshaping of the management which leads Visa International, the world's pre-eminent payment organisation.

The US may longer dominate the credit card world in the way it once did - the US share of the world's credit card transaction volume fell below a half at the beginning of the decade. But the US still accounted for around 47 per cent of the \$884bn charged to general purpose credit cards last year, and the US banks remain the most powerful force in the Visa organisation (Visa, like its rival Mastercard, is owned by the banks around the world which

Also, industry executives know that what happens in the US, where the credit card industry was born and matured first, will eventually be mirrored else-

At the end of August Mr Rob-ert Heller, head of Visa in the US,

45.4 per cent share of credit card volume in 1991, Visa slipped to 44.9 per cent in the first six months of this year, hardly dramatic, but notable after the organisation's previous steady advance. Mastercard, on the other hand, lifted its share by 1.5 percentage points to 27.6 per

The reason: "co-branded" cards launched by AT&T and General Motors, which give users discounts on those company's products, were issued under the Mastercard umbrella. Co-branding has become the most effective weapon in the battle to encourage consumers to use cards.

Last week Mr Charles Russell, the man who over the past 10 years has given VIsa Interna-tional, the parent organisation, its clear lead in the plastic card business, said he will retire next summer. He will yield the chief executive's job earlier, in January, to Mr Edmund Jensen, an outsider who joins Viss from west-coast based US Bancorp.

many times before that he planned to retire. In a 1988 interview, he said he would go after three years. In 1991, it was one more year. Finally, it seems, the banks that sit on Visa's board decided to take him at his word.

"It's time, after 10 years. Cbuck has done a great job," says Mr Jim Bailey, head of Citibank's US retail banking operations. He adds, though, that it was Mr Rusresigned under a cloud as the payment organisation's US market share took a rare dip. From a sell who approached the board over the timing of his retirement, rather than the other way round.

Volume (Sbn) and market share (%) 50 % 423 29.1 23.7 2.6 . 2.3 44.7 26.4 22.0 4.7 2.2 45.2 26.7 19.5 8.5 2.1

Other banks in the US, while also paying tribute to Mr Russell's achievements, murmur that Visa bas become too bureaucratic. The organisation wasn't heing managed "to the bottom line," said one.

If it was time for Mr Russell to go, be at least bad some influence over the new management team. Mr Carl Pascarella, wbo Mr Heller. And, according to reports from some industry executives. Mr Russell also chose Mr Jensen as his own successor. Despite Visa's little wobble in

the US, Mr Russell leaves it the world's most powerful plastic card brand. From a 40 per cent share of worldwide credit card business in 1980. Visa advanced to nearly 52 per cent last year, with 304m cards in issue. "What he did for Visa on a worldwide basis is prodigious," says Mr David Robertson, president of the Nilson Report, a credit card belped to support the many industry newsletter. It is the US, though, which still

sets the pattern for the industry - and there, the toughest battles in the credit card war have yet to he fought. Despite lower interest rates, cuts in fees and the introduction of incentives, credit cards remain one of the most profitable products for most nks. Rock-bottom US interest rates make it possible for banks to prosper even in such a competitive market - helping to bring more new issuers into the busi-

R epublicBank of New York, for instance, entered the market only at the start of this year: its 13.9 per cent interest rate is st the bottom end of the range for standard bank cards, yet is more than 10 percentage points over current money market interest rates.

Interest margins like this have

incentives which card issuers now offer. RepublicBank gives holders a cash rebate of up to \$250 a year on their credit card purchases, a trend started in the late 1980s hy the Discover card, then owned by Sears but now part of the iodependent Dean Witter Discover, That card's casb-back incentive has attracted 38m cardholders since its launch in 1987, giving it more cards even than American Express (though its sbare of transaction volume is far smaller). When US interest rates eventu-

ally turn up again, the rush to offer incentives is likely to slow. "Margins are still pretty good," says Mr Bailey of Citibank. "[But] in this immensely compet-Itive market, we haven't yet had to contend with rising interest When that happens, the Ameri-

can consumer could really see

nrprises have lurked behind every corner of eastern Europe's tortuous transition from a planned to a market economy - many

of them unpleasant. Often, the first to encounter unexpected difficulties has been Hungary, which has pio-neered reform since the late 1960s. So the recent survey of Hungary published by the Organisation for Economic Co-operation and Development, and especially its focus on the critical role played by credit markets, contains a hroader message for the post-commu-

nist states. The OECD found that Hungary's early, albeit hesitant start, did little to ease the pain of reform. "Despite Hungary's status as the most Western-market oriented of the centrally planned economies, the post 1989 economic transition still came as an abrupt and

wrenching shock." Hope for recovery has been vested in the privatisation pro-cess, but dismantling the state economy is taking longer than expected. In Hungary's case the OECD cites estimates that 18 per cent of state enterprise assets were under private control by the end of 1992, well short of the government's target of privatising half the state sector by 1994.

Privatisation of state assets is not the whole story. Startups and greenfield investments have boosted the private sector to about 30 per cent of GDP, but even that has been far from enough to offset the con-traction of state-owned industry and avert recession. Up to now Hungary has relied the most on foreign

investment to flesh out the pri-

vate sector, attracting more-

than \$5.5bn since 1988, over half the total for central and eastern Europe. But foreign investment alone cannot transform the economy. Most Hungarian consumer goods companies attractive to multinationals have been sold and foreign economic penetra-

Hungary builds capitalism without capital

ical limits. Increasingly foreign investors are looking to Poland which has four times the population of Hungary or the Czech Republic - and an aconomy stimulated by the dynamism of home-grown Polish entrepre-

The growing stress on home-grown capitalism means closer attention must be paid to solving the dilemms of how to build capitalism without capi-

One recourse is to distribute ownership through voucher schemes like the Czech Repub-

aide-mamoire which stated that Hungary's financial sector

Economics Notebook

lic or Poland's investment fund based mass privatisation programme. Hungary is belatedly implementing a more modest "small investor share buying programme". But its conver-sion to the virtues of mass privatisation has been halfhearted. Distribution cannot in

the capital injection most des-perately need. An obvious solution is to mohilise bousehold savings which were negligible under communism hat have since surged in Hungary the savings ratio rose to 15.8 per cent in 1991, dropping slightly to 13.2 per cent in 1992. But higher savings alone cannot stimulate investment in the absence of functioning banks and capital

This was the conclusion of a ruptcy legislation, according to recent World Bank internal the OECD.

was "unable to finance the transition to a market econ-omy. The OECD's survey was more circumspect, but the urgent need for financial sector reform runs like a thread through the report. The financial sector effec-

tively means the banks. The OECD, for example, dismissed the Budapest stock market as of "minor importance", although this year's boom in the Polish stock market indicates that equity markets do have a future.

By Nicholas Denton

But the banks risk seizing up. In Hungary real lending rates remained above 10 per cent in 1991 and 1992. Despite growing liquidity, banks curtailed their lending to the enterprise sector in 1992 while the spread between their deposit and lending rates rose itself provide enterprises with from about 4 per cent to a gaping 11 per cent.

Behind this phenomenon lies Hungary's status as the first east European country to implement western-style bankruptcy, accounting and banking acts. The new laws have forced many Hungarian companies and banks to face their real, and previously hidden, financial plight. One in six registered companies, producing about 14 per cent of GDP, have been affected by the bank-

To finance provisions against non-performing loans and rebuild capital, banks increased spreads. But high lending rates make default more likely as only the most desperate enterprises apply for loans. This process led to a "credit crunch" in Hungary last year.

Throughout the region government hunger for higher revenue is compounding the difficulties of the banking system. Until 1991, taxation of banks' paper profits was an important source of revenue, equivalent to about 2 per cent of GDP in Hungary's case. Despite the current plight of financial institutions, governments continue to drain their liquidity.

Recapitalisation of the banks would reduce spreads and help stimulate lending to the corpo-rate sector. But here again, the OECD says, budgetary econ-omy has conflicted with bank consolidation. Hungary's effort last year to shore up balance sheets was conducted on the

Budapest, supported by the promise of a World Bank credit of \$200m.\$300m, is now planning another, more comprehensive attempt. But the government has warned of a rise in the budget deficit to Ft350bn (\$6.65bn) next year, around 9 per cent of GDP. This would exceed targets set by the International Monetary Fund, so the temptation to cut corners on bank consolidation remains.

Lest Hungary despair, however the OECD notes: "The vislble size of the problems does not mean that the difficulties in Hungary are bigger than elsewhere in central and eastern Europe; rather it may be a sign that things are coming into the open earlier than elsewhere. This could mean that solutions are found more quickly, as issues are recognised in public discussion and measures are being debated and implemented." That may console Hungary.

It is less beartening for its east

European neighbours.

Stanhope to seek new equity in refinancing

By Bethan Hutton in London THE board of Stanhope, the beavily-indebted UK commercial property developer, said yesterday it was considering raising new equity in a refi-

The company is looking to raise £150m-£160m (\$240m). and to restructure its banking arrangements, but said plans were still in very early stages. No proposals bave yet heen put to any of the 16 or so banks involved. Stanbope last refinanced its bank debt in January this year. At Friday's closing sbare price of 36p, lt

had a market capitalisation of

just under £60m. The likelihood of attracting investors was belped by Broadgate Properties, 50 per cent owned hy Stanhope, last week selling the lease of One Exchange Square, home of the European Bank for Reconstruction and Development. for £170m. Stanbope also reports a "significant increase" in letting enquiries at both Broadgate and Ludgate, another of its develop-

Any restructuring is likely to involve Stanbope taking control of the other half of Broadgate Properties, which was owned by Rosehangb, now in receivership. Stanhope said the refinanc-

ing would take three or four

It incurred pre-tax losses of £215m in the year to June 30. 1992. Results for the year to June 30, 1993 are due ln mid-November, but the company said improvements in the mar-ket "have come too late to be reflected in these figures".

Schroder Split Fund

£100 million de Zoete & Bevan acted as stockbroker for the placing and offer for subscription of the Schroder Split Fund raising £100 million.

placing power in investment trusts: Sponsor to 1993's two largest issues

BZW

This amountained appears as a matter of very admity

HTR Japanese Smaller Companies Trust PLC

£100 million

de Zoete & Bevan acted as stockbroker for the placing and offer for subscription of the HTR Japanese Smaller Companies Trust PLC raising £100 million.

October 1995

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Tough task for a master of low profile Rebel Ferranti shareholders

Roland Rudd on the new chairman of GPA who is not averse to taking risks

son, the new chairman of GPA, is not about to move into the group's sumptuous London offices in Pall Mall. As a non-executive he does not believe he should have an office at all.

Nor will he be jetting across the Atlantic or be photographed at charity galas. His stark and somewhat puritanical view of management is in marked contrast to his predecessor Mr Tony Ryan, and his glittering array of non-executive directors, who included Lord Lawson and Sir John Harvey-Jones.

Whereas many of the old management were rarely out of the public gaze, albeit not always of their own choosing, Mr Stevenson is the master of the low profile.

Our objective is to have a 'PC Plod style of management' getting on with the business out of the limelight," he said. Friends of Mr Stevenson have been asking him why he decided to take oo the chairmanship of GPA, wondering whether it could become a recovery stock. As far as Mr Stevenson is concerned it is far too early to start talking about the potential long-term value of its as yet unlisted shares. He was attracted to GPA

the US. However, Mr Stevenson is

tive. Six months ago Mr Ryan made an informal approach to Mr Stevenson to parachute in because he sees it is a novel as a trouble shooter in piece of financial reconstruc-

R DENNIS Steven- tion of "vital importants" to stabilise the company. Furthermore, a restructured GPA could also belp protect the airline industry and would be able to pay back some of the loans made by the 139 banks which financed the company through its massive expansion at the turn of the decade.

If that sounds a daunting task for a company with debts of \$5.8bn (£3.84bn) Mr Stevenson replies that people have GPA out of proportion. "The only big thing is the noughts." he savs.

All he will be doing is managing a financial asset - it is sub-contracting the leasing to the GE Capital subsidiary, GE Capital Aviation Services under the terms of GPA's rescue deal with GE Electric of

the first to admit that up until a few months ago he knew nothing about aircraft leasing, prompting some to wonder why GE asked him to chair the new company in the first place. The initial approach was made by Mr Ryan, who first got to know Mr Stevenson while he was advising the Bank of Ireland, where Mr Ryan used to be a non-execu-



Dennis Stevenson: too early to talk about share price value

the role of chief executive. He declined. He had no problem in juggling several part-time jobs at once, but he has always been very selective about what boards he chose to

Aparting from chairing his own consultancy group SRU, and the Tate Gallery, Mr Stevenson currently has non-executive directorships with Pearson, which owns the Financial Times, and J Rothschild and

Assurance and Manpower (fordownside is too onerous. If he merly Blue Arrow). He also sits makes a big mistake, such as on the Takeover Panel. diversifying into shipping leas-According to GE it was this ing, for example, and thereby compounding GPA's problems Mr Stevenson feels he would solid, impressive curriculum vitae" that made Mr Stevenson deserve a loss of reputation.

so appealing as a prospective GPA chairman. Furthermore, But since he was not responsible for the past mistakes, he is not fearful for his reputation Mr Stevenson is not averse to taking risks. He took on Mr Tony Berry at Blue Arrow in a highly personalised battle and if GPA is eventually unable to meet its demanding debt repaywon control of the board and chaired the Intermediate Tech-Mr Stevenson would not have attempted the challenge without Mr Patrick Blaney, the nology Development Group, a Third World charity which by

eschewing big development 39-year-old chief executive, projects was never assured of who he believes was untainted hy GPA's past mistakes. He So last month, at 6am in the also made it a condition of him morning, Mr Gary Wendt, chief executive of GE Capital, met accepting the chairmanship that Mr Michael Davies, a non-Mr Stevenson and Mr Ryan in executive director, from British Airways, also joined GPA's board. Mr Davies is an old the United Airlines VIP lounge at Heathrow Airport. It was at Stevenson ally at Blue Arrow where they combined to oust that meeting that Mr Stevenson was finally persuaded to take on the chairmanship of Mr Berry. GPA and to try and bring the

The company still faces e tough time if it is to cut borrowings to e manageable level. Although it is deferring \$750m of debt, this will largely fall due in September 1996. In the year to March 1997 GPA must repay or refinance debt of

It will be no small achieve ment, irrespective of any upturn in the airline market, if Mr Stevenson can steer GPA through the next four years.

to meet over 1p takeover bid

REBEL shareholders of-Ferranti International, the defence electronics group, are to meet to discuss ways of. resisting a hid which offers them only to a share.

Some shareholders have reacted angrily to the token offer by GEC which promises them just 210m while et least £100m will go to the

They have commissioned Katz Associates, an investment consultancy to see if there are alternatives to the GEC-

It is expected that the complicated share structure of Ferranti and the need for any bid

Mr John Katz, who heads the consultancy and who recently fought a bid for the Greycoat property group on behalf of unhappy shareholders there. said he had received a number of phone calls since his name

take-up of GEC's offer.

was first linked to the Ferranti situation last week. The deal proposed looks like a quick safety net for the banks, he said.

"I have written to Eugene Anderson [chairman of Ferranti who was taken on three and a half years ago to save the company) and advised him that any sale of the company

to be accepted by 90 per cent of for a token price will be the voting shareholders will be opposed unless there is some severe obstacles to the smooth platform for shareholders to remain in to some extent and recover something with time."

-Mr Katz said there was unlikely to be unequivocal opposition to a rescue package of some sort as some 4,000 jobs were at risk if a saviour could not be found.

Before the news of GEC's offer broke last week Ferranti's shares were valued at 9%p. By the close of trading on Friday they stood et 1½p but Ferranti's board has defended the bid on the grounds that the company has no alternative.

A meeting of shareholders is

Syntegra launch marks start of BT market push

By Alan Cane

BRITISH Telecommunications is refashioning its image as a computer systems designer and constructor in a move to capture a larger share of a market currently worth £25bn

It will today announce that its customer systems division will be renamed Syntegra. The move marks the first part of the company to be rebranded to hroaden its appeal to a world market.

Syntegra will remain a wholly owned profit centre

Last year the division turned over about £200m, one of only three British companies among

the top ten computing services groups in the UK. It is said to be "significantly" profitable, although Its figures are not broken out separately in BT's results. It does 80 per cent of its busi-ness in the UK; one reason for

the rebranding is to improve its international appeal. Mr Alfred Mockett, manag-ing director of BT's business communications division, said Syntegra would establish strategic relationships with customers around the world

Beverley dips £1m into red

BEVERLEY Group, the engineer, lapsed into the red in the six months to June 30 with pre-tax losses of £929,000. against profits of £56,000. The loss reflected a fall in

turnover to £6.46m, down from Losses per share of 2.67p compared with earnings of

In an ettempt to cut back on its debt, the Bristol-based group is selling Gall Thomson, which makes marine safety breakawey conplings, to Sealand Industries, a Subsidtary of VSEL, for £3.5m. The company said cash from the saie would be boosted by a

NEWS DIGEST Compass in Burger

airline industry.

King deal COMPASS, the catering group, has signed an agreement giving it rights to operate Burger King restaurants in railway stations and workplace outlets.

The deal will result in the replacement of the Casey Jones

brand. Burger King is a subsid-

iary of Grand Metropolitan.

stability seen as essential to the long-term growth of the

Mr Stevenson will be paid for

one day's work every week and will have the extra incentive of

success fee. While not disclo

sing his salary, he says he will he charging considerably less

than he charges at SRU, where

he is reputed to be one of the

He does not believe the

highest paid consultants.

Finsbury issues Lloyd's prospectus

Finshury Underwriting Invest-ment Trust, one of the funds set up to invest in the Lloyd's insurance market, has issued Its full prospectus.

contacted separately.

Up to 30m shares are on offer at 1000 each. The issue will raise £28.2m after expenses. Net assets per share after the issue are esti-

mated at 94p.
Rea Brothers and UBS are co-sponsors to the issue, which is being undertaken as a place ing and intermediaries offer. The insurance adviser is Wren Underwriting Agencies; the investment manager is Finsbury Asset Manag

Markheath accounts further delayed

Markheath, the property group 61 per cent-owned by Adelaide amship of Australia and its associates, has been given per-mission by the DTI to delay publication of its annual accounts for the year to end-March until November 30.

Building societies 'more soundly' based

BUILDING societies' pre-tax profits were significantly higher in the first half of this year than for the comparable period of 1992, according to a survey of societies' Interim

While the profits were almost identical to those for the second half of 1992, the survey argues that they

are now more soundly based. That is because they do not rely on the opportunity that sterling's departure from the European exchange rete mechanism gave societies for improving their profits by wid-ening their interest margins through reducing mortgage rates more slowly than interest

Mr Peter Welch of Multistrategies research, the report's price £50.

author, argues that the interim results should include a sum-mary balance sheet in order to make it easier to calculate a society's overall profitability. Six of the 13 societies which publish interim results do so now, but it is not required by the Stock Exchange.
The survey is available from
Multistrategies, 2 Ridgmount
Street, London WC1E 7AA,

CROSS BORDER MAA DEALS						
BIDDER/INVESTIOR	TARGET	SECTOR	VALUE	COMMENT		
TCI (US)	Flextech (UK)	Television	c£100m	TCI to take control		
Royal Bank of Scotland (UK)	Neworld Bencorp (US)	Banking	295.4m	New England takeover continues		
Courtsulds (UK)	Gold-Zack Werke (Germany)	Textles	£13.9m	Buying selected operations		
Delta Galii (Israel)	Unit of Robert H Lowe (UK)	Clothing	£4.2m	Letting go of Babygro		
Thomas Cock (UK/Germany)	Auto-Fischer (Germany)	Travel	n/a	Pursuing Continental strategy		
Unitewer (UK/Netherlands)	Bertoli (Italy)	Food	n/a	Negotiations advanced		
Samaricor (S Africa)/ Nippon Denko (Japan)	NST Ferroctirome foint verture	Chrome production	n/a	Closer ties as senctions lifted		
Ericason (Sweden)/ Unimor (Poland)	JV	Telecoms	n/a	Defence equipment vanture		
Alizo (Netherlands)/ AlliedSignal (US)	. अर ासकी प्राप्तिकार	Fibres	n/a	Carpet fibres move		
Siemens (Germany)/ Electric Power Automation (China)	Stemens Power Plant Automation (JV)	Electronics	n/e	60/40 ownership split		

It will be cootrolled by Mr providing both new revenues Bill Halbert who has been £2.5 dividend from Gall and stimulating use of BT's international network sermanaging director of BT cus-Thomson's accumulated tomer systems since 1990. This advertisement is issued in compliance with the requirements of the International Stock Exchange of the United Kingdom and the Republic oblireland Limited (The London Stock Exchange"). It does not constitute at invitation to the

public to subscribe for, or purchase, any securities. Application has been made to The Loudon Stock Exchange for the admission to the Official List of the entire share capital of Geevor ple (to be renamed Coal Investments PLC)("the Company") as reorganised by the Capital Reorganisation and entarged by the Acquisitions, the Capitalisation, the Placing

and the Rights Issue. It is expected that dealings in the shares of the Company, as so reorganised and enlarged (save in respect of the Rights Issue) will commence on 4th November, 1993. Dealings in the Rights Shares, nil paid, are expected to

Geevor plc corporated in England and Wales, Registered No. 114326)

COAL INVESTMENTS PLC

INTRODUCTION TO THE OFFICIAL LIST

sition of UK Consolidated Mining Limited and Coal Investments Limited

Placing of 8,760,523 New Ordinary Shares at 10p per share Rights Issue of 8,739,477 New Ordinary Shares at 10p per share

with Creditors and Loan Notcholders Change of name New Share Option Schem

Share Capital to low me the Acquisitions, the Placine and the Rights Issue, the Reductions of Capital, the Capitalisation and the Capital

and the reserved

in New Orderary Shares of Ip each

fully paid £322,836.05

The lentanged Group will principally be engaged in the mining of coal and related activities

Lasting Particulars relating to the Company have been approved by The London Stock Exchange as required by the listing rules made under Section 142 of the Financial Services Act 1986 and are available during normal business hours on any week.by (Statedays and public balidays excepted) from the Company Announcements Office, the London Stock Exchange, Carel Court Futrance, off Bartholomew Lane, London EC2N 1HP, by collection only during normal business hours up to nol including 3rd November, 1993 and during normal business hours up to and including 15th November, 1993 from

J2 NOM as at thill FONDON ECSP SAL

Bell Lawrie White and Co 7 Drumeheugh Gardens EDINBURGH EILS 7QH

Smith New Court House 20 Farringson Road LONDON ECIM 3NH

a remiter of The Securities and

to division of Brewin Dolphin Bell Lawne Limited, a member of The Securities and Futures Authority and The London Stock Exchange

(a member of The Securities and Futures Authority Limited and The London Stack Exchange)

and the registered office of the Compan 30 Hounds Gate, Notingham, NG1 7DH

written notification of an amendment to Rule 3(d) Statements. Effective 1st November 1993, any Service Charge levied will be reduced to 3% and charged on any amount that remains unpaid 45

A further Service Charge of 3% will be charged every 30 days thereafter until full settlement has been made.

NOTIFICATION OF CHANGE TO CORPORATE CARD BULES OF MEMBERSHIP AND USE

In accordance with current Rules of Membership and Use, this is

This Service Charge applies only to Diners Club Corporate Cards Including British Airways Diners Club Corporate Carda and Hogg Robinson Diners Club Corporate Cards.

This does not apply to Diners Club personal cards nor to the few companies on non-standard terms. Those companies have been

Diners Club International, Diners Club House, Kingsmead, Famborough, Hampshire GU14 7SR

NOTICE OF REDEMPTION Sidek International Finance N.V. 9.5% Sinking Fund Notes Due 1995

NOTICE IS HEREBY GIVEN that, pursuant to the NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of December 19, 1991 between Sidek International Finance N.V., and Citibank, N.A., as Fiscal Agent, alt outstanding notes of the above issue (the "Notes") will be redeemed on December 21, 1993, (the "Redemption Date") at the price of 98.6741% of their principal amount, together with interest accrued to the Redemption Date. Payment will be made upon presentation and surrender of the Notes at the below listed reviews agreest together with all appropriates and the propriate of the Notes at the below interest proving agreest together with all appropriates and the province of the Notes at the below interest province agreest together with all appropriates and the province agreest together with all appropriates agreest together with all appropriates and the province agreest together with all appropriates and the province agreest together with all appropriates agrees together with all appropriates and the province agree together with all appropriates agrees together with all appropriates agrees together with all appropriates agrees agrees together with all appropriates agrees agree together with all appropriates agrees agree together with a propriate agreement agreeme presentation and surrender of the Notes at the below listed paying agency, together with all appurtenant coupons maturing subsequent to the Redemption Date.

The amount of any missing, unmatured coupons will be deducted from the sum otherwise due for payment. Interest on the Notes shall cease to accrue on and after the Redemption Date.

Payments will be made at the following paying agency listed below:
Citibank, N.A.
Citibank House 336 Strand London WC2R 1HB, England

FUTURELINK The fastest, most reliable, cost effective rest-time FUTURES, FOREX and NEWS services evallable via FM within London. CALL HYETRON ON PARIS 01 40 41 93 43

Notice of Interest Rates

To the Holders of

The United Mexican States Collateralized Floating Rate Bonds Due 2019

NOTICE IS HERRIBY GIVEN that the interest rates covering the interest period from November 1, 1993 to May 2, 1994 are detailed below:

Series Designation	Rate	Interest Amount	Interest Payment Date
USD Discount Series B	1,3125 Per, RA.	USD 21.80 Per USD 5 1,000	May 2, 1994
VEN Discount Series	3,1875 Per, RA.	YEN 1,611.00 Per YEN 100,000	May 2, 1994

Neaguber 1, 1993

CITIBANK, N.A., Agent

NOTICE TO HOLDERS OF THERMEDICS INC. 6 1/2% CONVERTIBLE SUBORDINATED **DEBENTURES DUE 1998**

DEBENTURES DUE 1998

NOTICE IS HEREBY CIVEN by Thermedics Inc. ("the Corporation"), pursuant to Section 7(a)(vi) of the Fiscal Agency Agreement dated as of July 16, 1990 among the Corporation, Thermo Electron Corporation and Chemical Bank, as Fiscal Agent, that, effective as of November 1, 1993, the conversion price of the Corporation's 6 1/2% Convertible Subordinated Debentures due 1993 has been adjusted from \$16.53 to \$10.512. This adjustment reflects a three-for-two split of the Corporation's Common Stock, \$.10 par value per share, paid in the form of a 50% stock dividend on November 1, 1993 to shareholders of record as of October 22, 1993.

MCHEMICAL

This notice is issued in compliance with the requirements of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange"). Application has been made for all of the issued Warrants of Portign & Colonial Emerging Markets Investment Trust PLC to be admitted to the Official List.

Foreign & Colonial

EMERGING MARKETS INVESTMENT TRUST PLC

(incorporated in Scotland with number 106024)

Bonus issue

20,002,705 Warrants to subscribe for a total of 20,002,705 ordinary shares at a price of 102 pence per share on 31st March in any of the years 1994 to 2003 inclusive

Copies of the Listing Particulars relating to the issue of Warrants can be obtained, for collection only, up to and including 3rd November, 1993 from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2. In addition, copies of this document can also be obtained during normal business hours for 14 days from the date hereof, from the company's registered office, Orchard Brae House, 30 Queensferry Road,

Foreign & Colonial Emerging Markets Investment Trost PLC

Edinburgh EH4 2HG and from any of the following:

Exchange House

Primrose Street London EC2A 2NY Credit Lyonnais Laing Broadwalk House 5 Appold Street

Morgan Grenfell & Co. Limited 23 Great Winchester Street London EC2P 2AX

1st November, 1993

London EC2 2DA

CONFERENCES



JAMAICA INVESTMENT PROMOTION MEETING

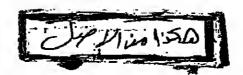
Promoting International Business Co-operation Kingston, Jamaica

The United Nations Industrial Development Organization (UNIDO); the Jamaica Promotion Corporation (JAMPRO) and the United Nations Development Programme are organising an Investment Promotion Meeting in Kingston, 15 - 17 November 1993. At this event discussions between Jamaican and foreign entrepreneurs on specific investment projects through various forms of international business co-operation will be held. These excellent investment opportunities range from the agro industrial eector, extraction and downstraam processing of minerals, light industries, information-based industries, to the attractive tourism sector/industry.

For prior regietration and information on the available business profiles, please

The Director
Industrial Investment Division, UNIDO

Attention: Latin America and Caribbean Unit P.O. Box 300, A-1400 Vienna, Austria, Europe Tel.: +43-1-21131 / 4864, 4813 Fax: +43-1-2308268



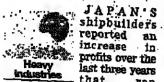
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FINANCIAL TIMES MONDAY NOVEMBER 1 1993 ..

COMPANIES AND FINANCE

Stronger yen hampers shipbuilders

By Robert Thomson



Heavy last three years that ran against the tide of most compa-nies' earnings, but their results

in the first half suggest that the yen's appreciation has left them facing another period of restructuring. Mitsubishi Heavy Industries and the other leading heavy

industrial companies are reporting sales increases from ship and heavy equipment orders received two or more years ago, but they are struggling against South Korean and other international com-MHI reported a 1.7 per cent

fall in pre-tax profit to Y61bn (\$575.5m) on a 5 per cent fall in sales of Y1,056bn, though of more concern to the company was an 8.7 per cent fall in orders received during the period from April to Septem-

ber, compared to a year earlier. Japaneae shipbuilders attempted to reduce their dependence on the ship market during the late 1980s, which had been an unreliable source of earnings, but the recovery in ship demand in the late

Australia raises

JAPAN'S HEAVY INDUSTRIAL COMPANIES Interim to Sept 1993 (Ybn)

specialists, and the companies

are facing a loss on the project

if the yen remains in the range

Mr Matthew Ruddick, trans-

port machinery specialist at James Capel Pacific, said the

heavy industrial companies

have a relatively high export to

sales ratio, which makes them more vulnerable than many

other industries to a strength-

ening of the yen. He said South Korean com-

petitors, able to huild a very larga crude carrier for Y9bn

against the Y10bn in Japan,

are winning orders at the Japa-

nese builders' expense, but the

filling of the South Korean

order books will create demand

in pre-tax profits to Y6.1bn, explaining that the fall in

interest rates over the past

year had reduced its repay-

ment burden and improved its

balance on financial items,

compensating for an 8 per cent

KHI reported a 24.8 cent rise

for new vessels.

of Y100-Y110 to the dollar.

Sales % change Profits % change a1.0 lehikawejime H 453 13.4 7.2 22.D Source: Company Moorts

1980s and the fall in domestic. industrial equipment orders has again increased that reli-

in MHI's case, ship and steel structure sales rose from 10.9 per cent to 17.2 per cent of total sales over the past year. But orders for ships during the half just ended fell 20.9 per cent on a year earlier, and the company's recent experience in idding for an order of seven LNG carriers for Qatar highlights the extra burden of a

MHI, Mitsul Engineering and Shipbuilding, and Kawasaki Heavy industries won a joint order for seven vessels from Qatar Liquefied Gas for the vessels, which will be used to supply Chuhu Electric Power, a electricity utility based in central Japan

But the bid price, reportedly Y26bn per vessel is below the current break-even cost of Y30bn for that type of carrier, according to Japanese industry

slide in operating profit during the period.

For the full year, KHI expects a 20.5 per cent fall in pre-tax profit to Y18bn on a 0.5 per cent increase in sales to Y960bn. Sales rose 2.5 per cent in the first half, due to ship and industrial machinery competitions, but orders during the period were Y331.1bn, down from Y408.5bn a year earlier.

Kawasaki exports motorcycles, and the yen has slowed growth in this market, which has been strong in east Asia during the last two years. The company is planning to increase its overseas procurement of parts and materials hy 30 per cent in the next year.

The rush of Japanese investment in east Asia is likely to mean weak orders for plant and machinery in the domestic market. It could produce a rise in export orders, though the companies' competitiveness will be hurt by the strong yen.

They do not expect much belp from defence orders, expected to remain sluggish. Sumitomo Heavy Industries. which had a pre-tax loss of YIhn, compared with a profit of Y741m in the previous period, said orders in its ship, steel structures and defence division were down 33 per cent, though orders for environment-related and other general

equipment rose 77.8 per cent.

dividend as losses continue

By Michiyo Nakamoto

THE slowdown in the domestic market and the strength of the yen this year dealt a blow to JVC, the maker of video cassette recorders and other audio-visua! products. The Japanese company

announced a pre-tax loss of Y9.9hn (\$93.3m) on sales 1 per ceot lower at Y251.4hn and passed its interim dividend.

JVC is dependent on its andio-visual products, including hlank cassette and video tapes, for 79 per cent of its sales. Nearly balf of the sales come from overseas markets where the yen's strength reduces price competitiveness.

This dependence has been costly for JVC, which rose to prominence as the company that first commercialised the video cassette format used by most consumers.

Video cassette sales in Japan bave been on the decline, with shipments down by 9 per cent this year according to industry estimates. Meanwhile, price competition has become fierce.

The only hright spot has been in the US market where recent figures indicate there has been a pick-up in demand for video products. JVC's entertainment division increased sales by 27 per cent. In order to cope with the dif-

ficult trading climate, JVC has set up a special "defensive" committee to oversee cost-cntting measures as well as an "offensive" committee to strengthen product line-np and sales efforts.

JVC aims to reduce costs by Y20bn and restructure its operations. It is transferring 400 employees from various departments to sales.

JVC expects losses to accumulate in the second half as economic conditions in Japan

remain singgish.	and des		
JVC : Interim	1993	(Ybn)	officer
	1993	1992	Volvo, 2 Volvo's
Sales	251.4	-1%	finance.
Pre-tax	-8.9	-13.5	defensiv
Net	-10.6	-15.9	sors and
Year forecast:			by a sc
Sales	506		beck, S
Pre-tax loss	25		economi
Not loss	20 5		- CCOHOIII

JVC passes Hostile chorus to Volvo deal reaches crescendo

Hugh Carnegy looks at doubts over the Renault link

HEN Volvo and Ren-ault announced in Paris on September 6 their plan to merge the Swedish manufacturer's car and truck operations with the state-owned French automotive group, the reaction in Sweden was largely one of sober acceptance.

The right-centre government of Prime Minister Mr Carl Bildt, the opposition Social Democratic party, the trade unions and most business leaders gave the deal the thumbs up, saying it was the best way to ensure the future of vehicle making in Sweden in the face of tumbling demand in Europe and heavy overcapacity in the industry

A Stockholm investment hanker summed up the feeling with the comment "regrettable out inevitable". By the end of ias: week, however, the climate had changed so much that the same banker believed real doubt bad arisen over whether the merger would be approved by Volvo's sharehold-

Perhaps it is not so inevitahle after all," he remarked. The opposition did not find its voice until early October. Then a rejection of the deal by Aktlespararna, the Swedish small shareholders' association, and a vebement denunciation by the head of Scania, Volvo's rival truck maker. combined to unleash a hostile chorus that by the weekend

Backed by strong support from the media, the opposition camp now includes former senior Volvo axecutives, some trade unionists, an array of academics and - to date - two prominent institutional sharebolders.

had reached a crescendo.

The new atmosphere was encapsulated at a packed seminar on the deal in Stockholm on Friday at which Mr Lennart Jeansson, bead of Volvo cars and designated chief financial officer of the new Renault-Volvo, and Mr Jan Engström, Volvo's present chief of finance, were forced on the defensive by a panel of professors and a journalist, chaired by a sceptical Mr Assar Lind-Deck, Sweden's

The opposition inevitably includes a strong nationalist element which objects to Volvo, the symbol of Swedish industrial pride, being "sold out" to foreigners. But what has Volvo most worried are the substantive questions heing raised by sbareholders about the details of the merger agree-

The industrial logic of the merger for Volvo still seems more positive than negative, said a shareholder fund man-

But we have lots of questions about the valuations in the deal, the issue of the privatisation of Renault and the French government's intention

What has Volvo most worried are shareholders' questions about the details of the merger

to bold a golden share after

privatisation. Volvo's case is suffering from two important weaknesses. Volvo and Renault have refused to hreak down the values placed on their respective assets, or give detailed performance forecasts. leaving many Swedes suspicious that Volvo, once again profitable, will in effect he milked by Renault which is suffering falling profits. Although Volvo will have a 35 per cent share in the merged company, its direct stake will be less than 18 per cent, and this is seen as a structural flaw.

The second weakness is the lack of cast-iron guarantee that Renault will be privatised as promised. There is a strong view in Sweden that continued recession, especially in the car industry, threatens the privatisation timetable and could strengthen protectionist forces, to the disadvantage of Volvo's Swedish operations in decislons on rationalisation.

From a Volvo shareholder's viewpoint there is another factor. After the merger, the Volvo parent will become, in

in vehicle making, food and drinks and pharmaceuticals. As Professor Ingemar Stahl of Lund University remarked at Friday's seminar, an investor could almost certainly get better returns by investing sepa-rately in top car, food and pharmaceutical companies.

Apart from the substantive issues, a further difficulty for Volvo lies in the structure of Most of Sweden's other best

known companies fall within the influence of the industrial empire of the Wallenberg fam-Heavily-weighted preference shares ensure that strategic

decisions of the type taken by the Volvo board are made by one or two shareholders. Volvo, by contrast, is a very

democratic group in which no single shareholder has more than 10 per cent of the voting capital and more than 40 per cent is held by about 15 institu-tions. After Renault, which has 10 per cent of the votes, the next largest single sharebolder is the so-called Fourth Fund state pension fund with 7.5 per cent.

At the same time, many influential figures sit on the board of more than one of these institutions, reflecting the small-world nature of Sweden's business community. This can work to Volvo's advantage through, for example, the seat on the board of Trygg-Hansa SPP, the insurance group held by Mr Soren Gyll, the Volvo chief executive. In another typical feature of Swedish business life, the trade unions hold many positions in the institutions and have, to date, mostly supported the

However, double-jobbing at board level is working against Volvo where opponents exert their influence more than once. Nor are personal animosities

Men such as Mr Lars-Erik Forsgardh, the bead of Aktiespararna, have long battled against the flamboyant, and sometimes erratic, leadership of Volvo by Mr Pehr Gyllenhammar.

"A lot of scores are being company with interests mainly investment banker.

A\$1.7bn from bank sell-off

By Nikki Tait in Sydney

THE Australian government will raise A\$1.69bn (US\$1.1bn) from the sale of a 19.9 per cent stake in Commonwealth Bank - the second tranche of equity in the bank to be floated off by the anthorities

Mr Ralph Willis, the finance minister, announced at the weekend that the issue would be priced at A\$9.60 a share for institutional buyers. Private investors are entitled to a 25 cents a share discount - meaning that they will pay A\$9.35.

The sale involves a total of 178.5m shares. About 65 per cent of these have been reserved for private investors. who submitted over 191,000 applications, representing Paper groups hit by low prices

By Emiko Terazono in Tokyo

INTERIM earnings at Japan's leading paper and pulp companies exemplified problems facing the industry, as sluggish demand and high competition depressed profit margins. Nippon Paper Industries.

Daishowa Paper and Honshu Paper were hit by lower paper prices. Honshu managed to lift its profit figure due to a decline in interest payment as interest rates have fallen. The depressed business environment has accelerated

restructuring of the industry.

Last April, Jujo Paper and San-

yo-Kokusaku Pulp merged to

create Nippon Paper Indus-tries, and Kanzaki Paper and

Oii Paper merged to form New Oji Paper last October.

-		•			-	
	JAPAN'S	PAPER	AND	PULP	COMPANIES	-
		_	ties (bn)	Change %	Pre-tex profit	C

318 52

144.90

per cent to Y232.7bn (\$2.2bn) while sales for pulp and chemicals declined 19 per cent and building materials decreased 17 per cent. After-tax profits jumped 53 per cent to Y5.4bn thanks to profits from stock sales linked to the stock mar-

ket listing of a subsidiary. Paper sales at Honshu fell 6.6 r cent to Y89.5bn, while Daishowa, led by the Saito family, known for its extensive purchases of French impressionist art during the late 1980s, posted a 7.5 per cent decline to Y135.7bn.

aqueeze earnings. Nippon Paper expects lower costs to lift operating profits, but a fall in gains from securities holdings will depress non-consolidated pre-tax profits by 25 per cent to 8.5bn on a 4 per cent fall in sales of Y642bn.

-11.41

-21.0

Daishowa posted Y10.8bn in unrealised losses on its securities portfolio at the end of September. It sees a pre-tax loss of Y21.8bn on a 6.7 per cent fall in sales to Y289bn. Honshu sees sales falling 4.4 per cent to Y372.6bn but expects support from lower interest rates, and leader, said paper sales fell 8 paper prices will continue to per cent to Y6.6bn.

26.5 Net loss

GUYOMARC'H

1992 and 1993 FIRST-HALF EARNINGS

FFM	1une 1992	June 1993			
Sales	3,427.5	- 3,346.8			
Operating profit	144.1	133.7			
Earnings before exceptionals	67.4	49.8			
Cash flow	158.3	153.0			

The 6.7 % decline in animal feed sales stems from falls in new material prices and sales volumes due to application of the Common Agricultural Policy.

The group's three other divisions - Royal Canin (per food), Père Dodu (cooked dishes) and Diana inatural ingredients) - showed satisfactory growth of around 5 %.

Over the last three years and notably in 1992, the Guyomarc'h group embarted on an ambitious investment policy in order to adapt to the new developments in its markets and ensure future

However, the devaluation of some European currencies have cancelled out the positive effects of productivity gains on operating profit.

The group has stood up quite well to tough economic conditions. This can be seen through the relative stability of cash flow and operating profit in spite of a considerable increase in

Guyomarc'h will pursue its efforts to enhance production capacity to ensure furthet development in a climate expected to remain difficult throughout Europe in 1994.

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"These results are evidence of CAF's successful efforts to meet the growing demands of the charity sector" Sir John Read Chairman, Charities Aid Foundation

1992 1993 Year end results TOTAL FUNDS UNDER MANAGEMENT £221.1m £147.5m TOTAL FUNDS RECEIVED IN YEAR

£163.2m £120.2m TOTAL FUNDS RECEIVED FOR DISTRIBUTION TO CHARITY

£96.3m £105.1m CLIENT NUMBERS 123,897 140,608 Individual Clients 3,702 3,395 Corporate Clients 1,775 2,445

Charity Clients

Registered Charley Number 269369
Copies of the Annual Report & Accounts are available from Head Office 48, Pembury Road, Tonbridge, Kent TN9 2JD
Telephone 0732 771333 Fax 0732 350570

Daily Gold Fax - free sample Hom Chart Analysis Ltd 7 Swalten Street, London W1R 7HD, UK -commodity specialists for over 22 years

NOTICE OF INTEREST BATE To the Holders of

BankAmerica Corporation Floating Rate Suberdinated Capital Notes Due 1999 CUSTP 066050 BAS

Persuant to the provision of the Notes issued under the Indenture as of June 15, 1984 as amended by the Second Supplemental Inden-ture dated as of September 30, 1987, the rate for the period from October 26, 1993 up to and including No-vember 29, 1993 is 4.625%. The amount of interest payable on No-vember 29, 1993 is U.S. \$449.65 for each \$100,000 principal amount of

Chemical Bask, as Calculation Agent November 1, 1993

> The Top Opportunities Section appears every Wednesday.

> > For advertising information call: Clare Peasnell 071 873 4027 Elizabeth Arthur 071 873 3694

ABBOT HOLDINGS plc ended Unconditional Cash Offer for the whole of the

Issued shere capital of KCA Drilling Group Limited not already owned by Abbot Holdings plc Notice to holders of shares in KCA Drilling Group Limited

The British Linen Bank Limited ("British Linen Bank") announces on behalf

The British Linen Bank Limited In British Linen Bank" | announces on behalf of Abbot Holdings pic | "Abbot" | that, by means of a formal offer document dated and despatched on 29th October, 1933 (the "Offer Document") to shareholders of KCA Drilling Group Limited ("KCA"), British Linen Bank is making an offer (the "D(fer") on behalf of Abbot to acquire the antire issued share capital of KCA not already owned by Abbot. Torms defined in the Offer Document have the same meaning in this notice. The Offer is an offer of 7p in cash for every KCA share and the full terms of the Offer are set out in the Offer Document.

The Differ is capable of acceptance from and after 3.00 p.m. on 28th October, 3933. With effect from that time, the Offer is, by means of this notice, a standed to all persons to whom the Offer Occument may not be desperched and who hold kCA shares. Copies of the Offer Occument and the Form of Acceptance will be available for collection from the British Linen Bank Limited. B Frederick's Place, London EC2R BAT, United Kingdom. This notice is published on behalf of Abbot and has been approved by British Linen Bank, a member of The Socurities and Futures Authorny for the purposes of Section 57 of the Financial's Ervices Activity for the British Linen Bank, a member of The Socurities and Futures Authorny for the British Linen. The liceus of this notice has been approved by the board of Abbot. The British Lines. To the best of the knowledge ond belief of the directors of Abbot (who have taken all reasonable ears to engure that such is the casel such Information is in accordance with the lacts and does not smit omything likely to affect the Import of such information.

End of Month S.G. Warburg **Warrant Valuations**

	TYPE	CURRENCY	SPOT	STRIKE	PRICE	EXPORY
Single Stocks	:					
Saipem	Capped Call	TTL	2790	4246	281	30th Mar 95
Sip	Call	TTL.	3560	3832	802	14th Jan 96
Stet	Call	TTL.	4153	4725	734	14th Sep 95
Baskets						
European Airline	s Call	£	376	320	8.57	3rd Feb 95
European Multi-l	Media Call	£	2020	2046.33	2.92	28th Sep 95
UK Pharmaceutic	als Call	£	101.80	98.05	1.40	26th Jan 95
European Steels	Call	DM	2856	2550	62	12th Jan 95
Indices						
MidCap Index	Call	€	3528	2900	6.61	18th Mar 94
MidCap Index	Call	£	3528	3200	3.84	18th Mar 94
MidCap Index	Call	£	3 <i>5</i> 28	2900	7.01	17th Mar 95
MidCap Index	Call	£	3528	3470	3.44	17th Mar 95
MidCap Index	Call	£	3528	3670	2.52	17th Mar 95
MidCap Index	Pur	£	3528	2900	0.05	18th Mar 94
MidCap Index	Put	£	3528	2600	0.05	18th Mar 94
MidCap Index	Put	£	3528	2900	0.21	17th Mar 95
MidCap Index	Put	£	3528	3470	2.03	17th Mar 95
MidCap Index	Pur	£	3528	3270	1.25	17th Mar 95

S.G.WARBURG

EQUITY DERIVATIVES FOR INFORMATION CONTACT JUSTIN CHITTENDEN ON 071-868 0517

The United Mexican States Floating Rate

Privatization Notes Due 2001

The applicable rate of interest for the period November 1, 1993, through and including January 31, 1994, to be paid on February 1, 1994, a period of 92 days, is 4.25%. This rate is 13/16% above the offered rate for three-month deposits in U.S. Dollars which appeared on the display designated as the British Bankers Association's Interest Scotlement Rate (3.4375%) as quoted on the Dow Jones/Telerate Monitor as Telerate Screen No. 3750 as at 11:00 A.M. (London Time) on October 28, 1993.

The above rate equates to an interest payment of USD 10.86111 per USD 1,000.00 in principal amount of Notes.



Banco Nacional de Mexico, NY

October 28, 1993

Data could bring back the bears

the US economy is gradually strengthening, bond yields at the long end of the Treasury market are struggling to hold below 6 per cent.

Last week, the market absorbed a spate of bullish economic numbers surprisingly well Prices fell and yields rose, but not by much. The yield on the 30-year bond ended the week at 5.965 per cent. However, another round of

data is due out this week that will in all likelihood, point to a continued acceleration in economic activity, and analysts are oot sure that the market will take much more without cracking.

That investors stood their ground so well last week was partly due to some discounting by dealers who had sold bonds in anticipation of bad economic news, and partly because of remarks by Ms Susan Phillips, Federal Reserve governor.

The third-quarter gross domestic product report had been discounted by the the The 28 per cent rise in GDP ernor's remarks highlights the

tations, and at first glance there was little to concern the market about the figures.

However, a closer look revealed a more disturbing fact: thet if it had not been for the impact of crop losses incurred during the summer's floods in the Midwest, GDP would have grown by a much more robust 3.4 per cent between July and September. Once the penny dropped, so did prices, pushing yields back over 6 per cent.

The selling did not last long. because the decline in prices quickly attracted buyers. Tha ments from Ms Phillips, who said that she doubted whether economic growth in the fourth quarter could match the 28 per cent rate achieved in the third

Although there was nothing especially shocking in that statement, it was enough to push prices into positive territory, and yields back below 6 per cent.

The reaction to the Fed gov-

investors. Ten days ago bond prices were sent into a tempo-rary tailspin by an innocuous prime rate cut by Morgan Guaranty.

A week later equally innocuous comments from a Fed official helped spark a rally. This is not the behaviour of e mar-ket that knows where it's going. With yields at historic lows, and the Fed more likely to make the next interest rate move an upward one, investors are clearly worried that the bond market may bave reached its peak.

This week's data could prove turning point for bonds. A raft of important economic data is due for release, and if the figures are consistently on the bullish side, the long end of the market could be in for a rough few days.

Today opens with tha National Association of Pur-chasing Management's report for October, which is expected to record signs of a recovery in nationwide manufacturing activity. Tomorrow, September's leading economic indicaincrease of 0.5 per cent, and September single-family home sales to show a rise of about 4

The pace picks up on Friday, when the all-important monthly jobs figures are published. Analysts expect the national unemployment rate to stay unchanged at 6.7 per cent, are predicting a solid 150,000 increase in non-farm

If these forecast prove accu-

rate, fixed-income investors will end the week with little doubt in their minds that the economy has accelerated away from the sluggish growth exhibited in the first half of the year. And given that the recent discounting of good economic news has worked its way out through the market, there is very little slack left in bond

After last week's struggle to keep yields below 6 per cent, the market may not have the strength to resist the bears this

Patrick Harverson

Further rate reductions in Nordic region promise large capital gains

WITH yields in many core European hond markets approaching historic lows, more investors are lured by the yield pick-ups that Nordic bonds offer. Moreover, further rate cuts in coming months are expected to result in heavy capt-

Denmark remains one of the regiou's favourites and is widely expected to outperform several core markets in coming

The Danish central bank has taken advantage of the widen-ing of the ERM's fluctuation bands on August 2 to cut its interest rates independently of the Bundeshank, and with inflation a mere 1.2 per cent and unemployment at 12.4 per cent, that trend is set likely to

In the last 2½ months, it cut its important 14-day certificate of deposit rate six times from

11 per cent to 8 per cent. The Danish krone has held up well in the process, a factor that is expected to facilitate further rate cuts in the near

Mr Peter von Maydell, senior economist at IDEA, the market analysis group, expects the central bank's 14-day CD to fall another 100 basis points by year-end and said the next reduction could come towards the end of this week. He said a 14-point cut - rather than the recent 1/2-point reductions --was most likely.

"They will probably scale down the easing pace as we approach interest rate levels of tha tima before the ERM break-up," he said. This is likely to keep Danish

bonds well supported.
"We remain very positive for

Apart from its large Treasury market, Denmark has a liquid market for mortgage Denmark," said Mr Rainer With elections [in Sweden] coming up, the government isn't going to show much fiscal austerity'

DB Research, Deutsche Bank'e search arm. Mr Back expects the Danish 10-year yield spread over German government bonds - cur-rently at 51 basis points - to narrow to around 20 basis points in the next six months.

Back, bond market analyst at bonds, which have longer maturities than government bonds and offer a substantial

tinued interest rate cuts, Mr Back said. The Danish five-

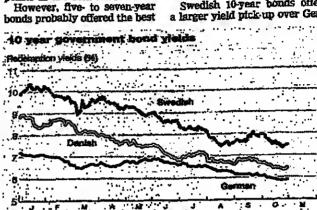
year yield spread over Bunds

currently stands at some 70

basis points.

yield pick-up.
The 8 per cent mortgage
bond due 2026 yielded some 110
basis points over the 8 per cent
government bond due 2003 on Friday.

Swedish 10-year bonds offer a larger yield pick-up over Ger-



FT/ISMA INTERNATIONAL BOND SERVICE

many - 163 basis points on Pri day - and the allure of capital gains on further easing. How. ever, analysts warn the long end remains vulnerable to had news on the public sector den-

cit front and political uncer-tainty ahead of next year's With elections coming up

the government isn't going to show much fiscal austerity." said Mr von Maydell The public-sector deficit is expected to account for some

14 per cent of gross domestic product this year and only slightly less next year. However, investors may be able to realise large gains on the currency, which deprectated sharply in recent months but has begun a slow recovery which is expected to be supported by the country's improving export performance After hitting a SEr5.04 high against the D-Mark in late Sep. tember, it traded on Friday at

SKr4.80. Even if this is just a dee cat bounce, the krona could well rise by about 10 per cent from its low to around 4.56." Mr Back said.

Even higher-yielding bonds in Finland and Norway are expected to benefit from the easing scenario, although the relative lack of liquidity in those markets tends to deter heavy foreign investment. . . :

Conner Middelmann

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Bank report likely to prop prices

the IIK over the next few months will occupy the minds of gilt specialists with the publication tomorrow of the Bank of England's latest report on price pressures. This is expected to paint a picture of inflationary forces throughout the economy being fairly weak and give another push to the generally downward drift in gilt yields of the past few weeks.

This trend received a jolt last week when gilt prices fell sharply on Wednesday soon after a successful £3.5bn auction by the Bank of five-year benchmark bonds. The decline in gilt prices, which stabilised by the end of the week, was due mainly to a concentrated effort by bedge fund managers in the US to sell European bonds including French and German securities.

However, the Bank's quarterly inflation report tomorrow is likely to put a floor under gilt prices by commenting on the generally favourable trends in inflation of recent weeks. department trying to set new standards in thinking of new ways to measure inflation. attention has been focused particularly on its new definition of core inflation - categorised as the year-on-year change in the retail prices index, excluding both mortgage interest payments and indirect taxes covering VAT, excise duties and local authority tax.

In the Bank's last inflation report in August, its economists were fairly bullish about this core inflation figure. They reckoned this would stay at about 3 per cent during the rest of this year and next year. This optimism might have seemed somewhat misplaced in view of the larger than expected September figures for the year-on-year change in the RPI and in RPI excluding mortgage payments - the latter being the Treasury's official measure of underlying inflation - which came out at 1.8 per ceot and 3.3

be relatively low at a year-onyear 1.7 per cent and 3.2 per cent respectively.

per cent respectively. However, many gilt analysts

eral line on inflation as expressed in the August report. They say the blip upwards in the year-on-year figures for September was largely a result of changes in retail prices a year ago and should not distract attention from the flat picture for inflation over the past few months. According to economists at Morgan Grenfell. the October figures for the RPI and the Treasury's measure of underlying inflation - due to be released by the Central Statistical Office next week - will

The general absence of worries about price pressures in the economy was behind the signs of latent demand for gilts in the financial markets towards the end of last week. "After the sell off in gilts in the middle of the week it was noticeable that as soon as the yield difference between gilts and German government bonds crept up to anything just

over 100 basis points, buyers for the IIK securities entered the market on the grounds that the instruments looked cheap," said a bond specialist.

Over the week, the yield for the benchmark Treasury 9 per cent bond maturing in 2008 crept up 13 basis points, being quoted on Friday night at 7.2 per cent after 7.07 per cent the previous week. Its price on Friday was 11614, a fall on the

The yield increase for shortdated gilts was slightly higher for the week, with some investors moving out of these instruments on Friday after comments from Mr Eddie George, Bank governor, indicating that an early cut in interest rates was unlikely. In spite of these comments

many traders expect Mr Kenneth Clarke, the chancellor, to bring down bank base rates from 6 per cent at around the time of the Budget on Novem-

Peter Marsh

Adjustment to the Subscription Price for the Warrants Toho Zinc Co., Ltd.

U.S.\$70,000,000 5.375 per cent. Guaranteed Notes due 1994

. with Warrants (the "Warrants")

Pursuant to Clause 3 of the Instrument dated 15th September, 1990 ment, pocice is hereby given as follows Tobo Zinc Co., Ltd. has issued U.S. \$121,000,000 0.75 per cent.
Guaranteed Notes due 1997 with Warrants on 20th October, 1993 at the
initial subscription price of V605 per share which is less than the current
market price per share of V633.33 calculated as provided in the

As a result of such issuance and pursuant to Clause 3 of the Instrument, the Subscription Price of the Warrants will be adjusted from V759.2 to

This Adjustment referred to hereinabove becomes effective as of 28th October, 1993 (Japan time) pursuant to the said Instrument.

Toho Zinc Co., Ltd.

By: The Mitsubishi Trust and Banking Corporation as Principal Paying Agent

Dated: 1st November, 1993

Union Bank of Norway U.S. \$27,000,000 Subordinated Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is hereby In accordance with the provisions of the Notes, notice is nevery given that the Rate of Interest for the three month period eoding 31st January, 1994 has been fixed at 5.2375% per annum. The interest accruing for such three month period will be U.S. \$6,837.85 per U.S. \$500.000 Note against presentation of Coupon Number 6.

Union Bank of Switzerland London Branch Agent Bank 27th October, 1993



Espirito Santo Financial Holding S.A. U.S. \$100,000,000 Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 19th April, 1994 has been fixed at 4.4375% per annum. The interest accruing for such six month period will be U.S. \$2,243.40 per U.S. \$100,000 Note against presentation of Coupon Number 6. Union Bank of Switzerland

27th October. 1993





International Bank for Reconstruction and Development ECU 450,000,000

Floating Rate Notes due 2002 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 31st January. 1994 has been fixed at 6.615% per annum. The interest accruing for such three month period will be ECU 86.49 per ECU 1,729.86 per ECU 100.000 Bearer Note, on 31st January, 1994 against presentation of Coupon No. 7. in accordance with the provisions of Union Bank of Switzerland
London Branch Agent Bank

27th October, 1993

NOTICE OF APPOINTMENT

NOTICE OF APPOINTMENT
Company Names: B A Employment Group Limited, B A (UK) Liesked, Conganny Numbers: 1937;372 & 2056;42. Type of liquidation: Members' Voluntary, Address of segistered office: Charence House, 134 Hatfield Road, St Albans, All 143B. Liquidasors names and address: Margaret Elizabeth Mills and Stephen James Lister Adamson, Bracket House, 1 Lambeth Palacas Road, London SEI. Office holder, studies; Margharet Elizabeth Mills and Stephen James Lister Adamson, Bracket House, 1 Lambeth Palacas Road, London SEI. Office holder, studies; 13 October 1993. By whom appointed: Marshars.

NOTICE TO CREDITORS

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Companies required on or before? 7 December 1993 to send their names, addresses and particulars of their clamp, and the names and addresses of their solicitors (if any) to en and it is required by notice in writing from in. are personally or by their solicitors (if any) to en and its pall be precised on an adequate the small be precised on an adequate the small be precised on an adequation of the small be precised to any describations and before such debts are proved.

M E MEIB Joint Liquidator

Dated Zeich Consider 1993

NB: This notice is parely formal, All known creditors have been or will be paid in full.



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Market Myths and Duff Forecasts for 1993 The US dollar will move higher; precious metals have been emonetized; Japanese equities are not in a new bull trend. You did NOT read that in Fullerhoney - the Connactastic Investment letter. Colidana Targuharson for example state (associated and analysis Ud. 7 Swallow Sheet, Landon WIR 240, UK Tel. Landon 71-439-2991.

[27] in US) ar fax: 71-439-2466. FOREXIA FAX \$

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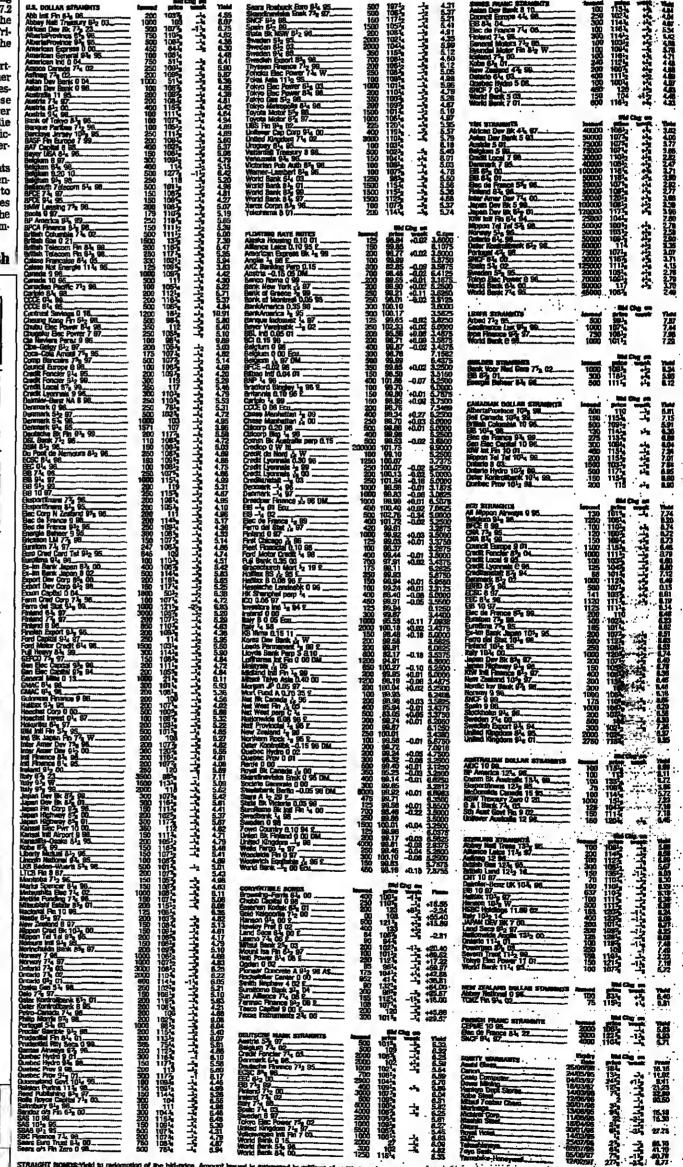
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INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

ow interest rates could open up Swiss sector

THE PROSPECT of Swiss interest rates remaining low for the next year could open up the Swiss bond market to a much wider range of foreign borrowers.

The fall in interest rates and structural changes, including the abolition of stamp tax and the easing of syndicate restrictions, have contributed to the large increase in new issue volume in the Swiss for-

eign bond market this year. However, Swiss banks believe easier access for a broader spectrum of issuers is needed to further. enhance the market's liquidity and

transparency.
In the last few years, the Swiss bond market has become as exclu-sive as St Moritz because investors have restricted themselves to buying bonds issued by borrowers with high-quality credit ratings or with strong name recognition.

US DOLLARS

Relance Industries(4)6

Sun Hung Kai Props.Fin. LB Hessen-Thuringen

LB Hessan-Thurbigen
US Air Inc.(g)
Fulleo Ca.(f)t
Kingdom of Sweden(fit)t
Urban Mitg. Bank of Sweden
Commerchank Over. Fir.(fit)t
Banque Peribes(f)t
Health Care Prop. trvs.(m)S
Credit Lyonnals(fit)t
Corp. Industrial Sarties
Trans-Tolon Stay Historian

Trans-Tokyo Bay Highway

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Credit Local de France
Benca Nie del Laworo HK, (A1);
Commerchank Over, Fr.L/A2);
Acinciar Inds. Argentina(A3);
Dilmun Capital Ltd/Corp(A7);

European knyastment Bankot Ford Credit Europe(y):

F & C Pacific Inv. Trust§(e)

Leeds Permanent B/S(x) Finance for Danish Industry(x) Sumitomo Overseas Capital(x)

Swedish Nat. Housing Fin. bd

FRENCH FRANCS

CANADIAN DOLLARS

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Nov. 1998 Nov. 1998 Nov. 2008 Sep. 1998 Nov. 1998 Nov. 1998 Nov. 1998 Nov. 2005

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Mer.1999 4.5-5 Oec.2008 0.25 Nov.1988 5.125 Nov.2003 (A1)# Nov.1988 (A2) Nov.1988 (A3) Nov.2003 (A7)#

Aug.1999 Dec.1996

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Mar. 1999 Mar. 1997 Feb. 1995

Nov.2603

Nov.2001 5.75 Nov.2004 6.00

3.50 5,625

5.75 (q)# 9.25#

3.50 3.00

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99,425R 106R 98,56R

99.76R 99.75R 98.70R

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96.76R 96.96R

100 Dec 2000 6:375 98.775R 6:599 +17 (z) Hambros Bank 250 Jan 2001 7.00 99.375R 7.089 +15 (7½%-03) Deutsche Bank

Switzerland .. Swiss franc foreign bond merket (SEr br) Discount rate (%) Discount rate

have adopted this strategy as a reaction to their bad experiences with borrowers with low credit rations. See according to data from Swiss (SPC) From Inc. ings in the mid-1980s. Last year, 55.50 per cent of foreign

rating, up from just 21 per cent in 1989, according to data from Swiss Bank Corporation (SBC). From January to October 4 this year, 49.1 per Syndicate managers say investors straight Swiss franc offerings were cent of issuers had a triple A-rating.

Morgan Stanley Intl.
Morgan Stanley Intl.
308 +75 (WI 5yr) Lehrman Bros. Intl.
+393 (WI 5yr) Morgan Stanley Intl.
Daiwa Bk.Cap.

Merrit Lynch Intl.
Merrit Lynch Intl.
Merrit Lynch Intl.
Merrit Lynch Intl.
Midder Peabody Intl.
S280 +450 (MI Syr) Semuel Mentagu
IBJ International
Swiss Bank Corp.

- +1 (6%-1999) ISU/SG Warburg Goldman Sachs Inti.

5.720 +12 (8%96-99) Paribas Capital Markets

5.181 +22 (5%%-98)

6.590 +66 (6%%-03) BNP 5.949 +12 (9%%-01) CCF 6.381 +30 (8%%-04) Socié

Lehman Bros/JP Morgan

Paribas Capital Markets Kleinwort Benson

Bardeys de Zoete Wedd Mitsubishi Finance

SG Warburg Securities Debut Europe/Fuji Inst.Fin. Deiwa Europe/Fuji Inst.Fin.

Société Générale

Merrill Lynch

The fall in Swiss interest rates to cent in November, and fall to 3 per their lowest levels for five years has produced good profits for investors in Swiss bonds this year. "Swiss bonds carried coupons of 6 per cent to 7 per cent at the start of the year. now the same debt has coupons of 4 per cent to 4", per cent," says one

syndicate manager.
But investors will have difficulty in matching those profits next year if the market consensus that Swiss interest rates are close to the bottom of their cycle turns out to be correct.

Swiss National Bank (SNB) officials said last week that further falls in Swiss interest rates could occur in the months ahead, but the warned that the central bank would not risk reigning inflationary pres-sures by easing monetary policy. Nevertheless, the SNB's expecta-

tion that the Swiss year on-year

cent by May of next year has reinforced the bond market's view that yields are unlikely to rise again for at least another year. One way for investors to enhance

their seturns in a stable to falling interest rate environment would be to buy bonds issued by borrowers with an inferior credit rating. Syndicate managers say such bor-

rowers would be prepared to pay a good margin over the market yield to secure Swiss franc financing at low interest rates.
There are signs that investors are

softening their stance as they search for yield. Bond offerings for Pemer Mexico's state-owned oil company, and for the National Bank of Hungary, both of which have sub-investment grade ratings, were well received by the market.

Antonia Sharpe

inflation rate will fall below 3 per **NEW INTERNATIONAL BOND ISSUES**

Вотоwег	Amount m.	Maturity	Conbau	Price	Yield	בשרב" במר במרפצם	Book runner
TALIAN LIRE							
Suropean Investment Bank	500br	Nov.1996	7.625	99 93R	7 671	£2/511-3€	Ear≈ ¢ FortaWU to
GUILDERS							
Vederlandsche Waterschaps.	150	Jan.2009	6.25	99.90R	6 260		Int Nepertanden Sard
ABN Amro Bank	400	Jan.2009	6.25	99.80R	5.270	+22 ft** Septiti	ABN Armo Bank
cus							
lahlax Building Society	150	Nov.1998	5.875	99.705R	5,545		UZS
PESETAS							
smopean Investment Bank	20bn	Nov,2003	8.125	101.07	7,366		פצופנים
escupos							
Vorkt Bank()	11.6bn	Nov.1998	8.5	100.70	8 323	-25 (12'-5:-9:-	Scc.Franta/Sto Form
Eurofima.	1 0 5n	Dec.2006	8.875	101.00	6.678	-	EPI
WISS FRANCS							_
P Corporation(b)+¢	90	Nov.1997	0.375	100	.	•	Dawa Securities Bant
Ghon Nohyaku(c)±Ф	70	Nov.1997	0.375	100	-	-	Nieko Bank (Switz)
feiwado Co.(d)★Φ	200	Nov. 1997	0.50	100			Dawa Secs. Bank/Swit
er(squates	125	Mar,2001	1.754	100			Nomura Sank (Swrtz.)
epublic of Finland	300	Dec_2003	4.25	102.75	3.912		Credit Suisse
ago Co.	300	Nov.1998	4.375	101,00	4.149	-	UBS
Inion Bank of Switzerlando	200	Nov.2003	3.00	100			UBS
aty of Vienna+	120	Jan.2000	4.25	102.50	3.777	•	Swiss Bank Corp.
leweag	100	Jan.2009	4.375	102.875	4.114	-	Credit Suisse
APAR	100	Jan.2004	4.125	102.00	3.860	-	Credit Suisse
Inion Bank of Switerland(A4) Φ	200	Dec.2000	2.75	100			UBS
UXEMBOURG FRANCS							
orddeutsche Landesbank	2.7tm	Nov.2003	7.25	101.90	6.980	-	BGL
CEE(w)	150	Nov.2003	7.00	102.25	5.684		BCEE

RISK AND REWARD

CFTC stalls over regulation until reinforcements arrive



authoritative study on off-exchange derivatives was I released last week. Its primary finding, that no new regulation is needed for

the multi-faceted financial instruments, echoed the conclusions of a similar study by derivatives dealers and issued last summer by the Group of 30, the Washington-based

think tank Issued barely a week after a Bundesbank warning that expanding use of derivatives and their global linkages threaten the stability of world financial markets, the Commodity Futures Trading Commission study was noted for its endorsement of the status quo. The CFTC regulates exchange-

traded futures and options in the US. The agency's responsibilities evolved with the rapid growth of financial derivatives. Its budget, and its stature in Washington and on Wall Street failed to follow

The CFTC's summary of OTC derivatives regulation was not expected to be controversial, given that any recommendations for regulatory restructuring could have again pushed the agency ioto a fight for its regulatory life. It under-took the study only at the behest of Congress. But the CFTC has made a solid contribution to the derivatives

It said current regulatory structures were adequate. But the agency reported that its study was hampered by the lack of informa-tion on OTC markets - a remarkable statement by a body backed by the US government. "Data generally are available only for broad categories of derivatives products and market participants. The most extensive data pertain to interest rate and currency swaps and to dealers and broad categories of end users," the report said. "Very little information exists on the extent of activity in OTC equity options and swaps and commodity swaps or by non-depository financial institutions such as pension funds and investment companies."

Later, the agency revealed that the data it used for the most broadeported vehicles swaps come: directly from the International

A N O T H E R Swaps and Derivatives Association. whose membership reports swaps turnover voluntarily and whose

data lack independent confirmation. The study hemoaned the difficulties posed by variations of regulatory treatments across borders and across participants.

Finally, the CFTC said the recent rash of separately capitalised subsidiaries created as swaps trading vebicles by non-bank securities dealers lacked any regulatory over-sight. In short, the study's findings fail to hack its conclusion.

The CFTC's fumbling attempts to get its arms around the OTC market demonstrate that derivatives regulation is in sad need of realignment. For a start, comprehensive and reliable data reporting is needed. Meanwhile, the CFTC has deferred decision oo one the US's most significant derivatives issues in five decades until it receives political reinforcements.

The CFTC has jurisdiction over exchange-traded markets of the same trillion-dollar size and steep growth curve as OTC derivatives. The on- and off-exchange derivatives markets share many of the same participants and are used largely for the same purpose-risk

Exchanges contend that because they have more onerous reporting requirements and are more closely regulated, they lose competitive edge to their off-exchange cousins.

Having watched the CFTC grant regulatory exemptions to a swathe of OTC energy and financial derivatives this year, the world's two biggest futures exchange are asking for similar treatment. If their petitions for regulatory exemptions for their biggest players, professional traders, in the Chicago Board of Trade's lexicon, are accepted it is hard to calculate the effect.

Recognising that the issue could attract the wrath of Congress and that its is undermanned, the CFTC is stalling.

After declaring an unusually long comment period on the petitions in August, the agency recently extended the comment deadline to December 15. Reinforcements, in the form of long-awaited appointments of a CFTC chairman and two of four commissioners, are expected within days.

Laurie Morse

DOING BUSINESS IN RUSSIA?

Save time, effort and money at the start

All foreign companies wishing to conduct business in Russia need to register there. In Moscow, registration is handled by the Moscow Registration Chamber. Fortunately, this process can be relatively quick and easy, thanks to can be relatively quick and easy, thanks to
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MORGAN STANLEY INTERNATIONAL

to centre on the performance of the Do It All DIY chain and

the future of the pharmaceuti-

cals division, but analysts are

not expecting any significant

BAT Industries, the tobacco

and financial services group, is expected on Wednesday to

report an increase of about 25

per cent in pre-bax profits for the first nine months of the

year. Forecasts range from C1.31bn to £1.38hn. Tobacco earnings will again feel the effects of the US cigarette price

war but the group should bene-

fit from more favourable exchange rates. Analysts

expect further progress from

THE WEEK AHEAD

ECONOMICS

UK inflation again under scrutiny

Quarterly Bulletin is produced tomorrow. Its infistion report will be of particular interest following signs from official data that price rises are gradually gathering pace.
But the Bank, which bas

taken a fairly relaxed view of inflationary pressures in the economy over the past few months, is unlikely to alter radically its stance in tomorrow's report.

Figures for narrow money come out oo the same day. Economists helieve the yearon-year rate will rise egain, to stay well ebove the government's 0-4 per cent monitoring range and lending weight to evidence that consumers are the driving force behind the

This is a heavy week for German statistics with industrial production and employment figures due towards the end of the week. Provisional figures for industrial production in August showed a larger than expected rise of 2.1 per cent on the mooth, following July's 0.8 per cent fall. Many economists expect to see s downwards revisioo to the August figure. and the median forecast for September is a drop of 0.5 per ceot oo the month.

In the US, the focus will be on non-farm payrolls at the end of the week. They should have increased by 160,000

UK money supply MO Annual % change

3 ---

1992

according to the median fore-cast, following September's 156,000 rise. In the third quarter, the average rise was 117,000 per mooth, but all the gains occurred in the service sector. Higher paying manufacturing jobs were lost at a rate of 26,000 per month and are expected to suffer further.

The following are the rest of the week's economic highlights and events. The figures in brackets are the median of ecocomists' forecasts from MMS International, the financial information company.

Today: Spain, Portugal, Belgium, Luxembourg, Austria France and Italy, All Saints Day - markets closed. US, October NAPM Index (51.8); September constructioo spending.

Australia, September current account, building approvals. Belgium, Maastricht Treaty comes into force.

Taiwan, markets closed Tomorrow: US, September leading indicators (up 0.4 per cent), new home sales (650,000); Johnson Redbook week ended October 30. Germany, Franco-German con-

vergence plan unveiled in Ber-UK, Bank of England quarterly bulletio. October official reserves (up \$50m); UK, October M0 (up 0.4 per ceot on month, up 5.5 per cent on

Wednesday: US Fed releases Tan book for November 16 FOMC meeting; September bome compilations; car sales October 21-81 (7.1m units). truck sales October 21-31 (5.2m units). Japan, National holiday · mar-

Germany, Bundesbank repo results announced in Frankfurt: speech by Schulmann, Bundesbank Council Member in Frankfurt. Canada, October foreign reserves, help wanted index

kets closed.

Australia, September reteil Thursday: US, initial claims week ending October 30 (347,000); state benefits week ending October 23; September factory orders (up 0.5 per ceot),

factory inventories; Q3 preliminary productivity; money sup-ply data for week ended Octo-ber 25. Germany, Bundesbank council

meeting in Frankfurt.
Fridey: US, October noo-farm payrolls (up 160,000), manufacturing payrolls (down 5.000), hourly earnings (up 0.2 unemployment rate (6.7 per

Germany, October unemployment - west (up 35,000); September employment (down 41,000), October vacancies - west (down 11,000); Chancellor Kohl delivers a speech on eco-nomic policy in the Bundesrat. France, Q2 industrial produc-Canada, October employment

rate (up 0.1 per cent on mooth), October unemployment rate (11.4 per ceot). During the week: Jepan, September current account (\$12.7hn surplus), trade

ment. Germany, September industrial production (down 0.5 per ceot on month), manufacturing output (down 0.5 per cent on month), manufacturing orders (op 0.6 per cent on month); August trade balance (DM2.9hn surplus), current account (DM5.6bn deficit); October,

Emma Tucker

RESULTS DUE

from £391.1m to £435m. But SEVERAL of the UK's largest analysts are more interested in retailers will be reporting interim results this week. what the company might say The UK's two most profitable about the changing face of the retailers, Marks and Spencer UK food market in the midst of and J Sainsbury, report on Wednesday, and both are expected to show a bealthy rumours that Sainshury Is about to launch a price war, and after the admission by Tesco in September that it was

increase in pre-tax profits. M and S is forecast to lift pre-tax profits from £257.1m last year to between £285m and £295m. But its shares have already risen substantially in expectation of good figures and analysts say any hint of weakness, especially on the food side, could be seized on by the as an excuse to sell. Sainsbury is expected to see interim pre-tax profits increase

ry Growth Tet. o & Colonial PEP law, Tet. in Grenfell Equity Inc., Tet. balance, foreign bond invest-

> pent Grp., Crentrum House, Crenmo sloverd, Salfrus, W. Midlends, 12.15 ndon & Metropolitus, 10, Fenchurch BOARD MEETINGS:

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Tax Treaties

Eagle Star, the general insur-Discussion is again expected ance subsidiary, despite con-tinuing losses on mortgage insurance. Growth may be slower at Farmers Group, the US subsidiary. British Petroleum, reporting 1111

third quarter results on Thursday, has enjoyed a marked upgrading of its fortunes in recent weeks. Although oil prices have fallen some \$2 a harrel since the second quarter, UK petroleum revenue tax has been cut to 50 per cent from 75 per cent and down-stream operations have turned in stronger performances. Profits of at least \$175m (2117m) are expected net of stock gains of around \$100m.

UK COMPANIES

III TODAY COMPANY MEETINGS: Harmory Labore, Iron Wall, E., 17.00 BOARD MEETINGS:

rd Park Estates, United Trading Estate. Road, CRI Trafford, Manchesser.

WEDNESDAY NOV treet, E.C., 12.00 FizzeEquent, 90-01, Wood Street, E.C., CAPO MEETINGS

investing some gross margin in

On Thursday it is the turn of Boots, which is likely to report

increased interim pre-tax profits from £185m last time to

about £210m this time, after

exceptional Items relating to the sale of French subsidiary

Sephora and the withdrawal of

the Manoplax heart drug by Boots Pharmaceuticals.

lower prices.

Syder, Coder Court Hotel, Walrefield, 12.00
Univer Frenkl, Wavertry House, 7-12. Nosi
Street, W. 11.30
Walterween Pertnership, Apothecanoe Had,
Backfree Lane, E.C., 12.00
BOAPO MCETINGS:
Firsts:
Euromoney Publication

EL PREDAY MOVEMBER 6 COMPANY MEETINGS: Fortoom & Mineon, 181, Pic Ricardo Grop, Royal America Plannico Picco, W., 12.00 BOARD MEETINGS: craless ofference stated.
Please note: Reports and accounts are not secretly preliable and approximately six we after the board mesting to approve the professions of the presence of the professions.

PARLIAMENTARY DIARY

TODAY Commons: Questions to Welsh ministers, Church Commissioners and Lord Chancellor's Department. Railways Bill, Lords Lords: Not sitting.

■ TOMORROW Commons: Education questions. Questions to the Prime Minister. Rallways Bill, Lords amendments. Lords: Priests (Ordination of Women) Measure, Ordination of Women (Financial Provisions) Measure. Select Committees. Social security: the operation of the child support agency, 10.30am, Room 15. Treasury and civil service: role of the Bank of England, 11.00am, Room 8.

Employment: future of trade unions, 4.15pm, Room 15.

■ WEDNESDAY Commons: Foreign Office questions. Cardiff Bay Barrage Bill, timetable motion and Lords amendments. Crofters (Scotland) Bill, all stages. Scottish Land Court Bill, all stages. Health Service Commissioners Bill, all stages. Probation Service Bill, all stages. Pension Schemes Bill, all stages. Pension Schemes (Northern Ireland) Bill, all stages. Statute Law (Repeals) Bill all stages. Football Spectetors (Designation of Football Matches in England and Wales) Order. Safety of Sports Grounds (Designation)

Order. Football Spectators Act

(Commencement) Order.

Debate on MPs' pay.

Ministerial and Other Salaries Lords: Railways Bill,

Commons amendments. Select Committees. Environment: local government revisw, 10.00am. Room 6. Foreign affairs; subject to be confirmed, 10.30am. Room 17. Welsh affairs: forestry and woodlands, 10.30am, Room 18.

Defence: reductions in service numbers, 10.50am. Room 16. Home affairs: the Sheehy report, 11,00am, Room 15. Social security: operation of the child support agency, 3.15pm, Room 8. Public accounts: award of the contract for the landing platform for helicopters, 1.15pm. Room 16. Treasury and civil service: role

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of the Bank of England, 4.15pm. Room 6. Home sffairs: the Sheehy report, 4.45pm. Room 15.

final cost of living.

■ THURSDAY Commons: Treasury questions, Questions to the Prime Minister, Debate on parliamentary pension contributions. Debate on report on parliamentary questions. Debate on cash assistance to Opposition parties. Lords: European Economic Area Bill, Commons amendments. Roads (Northern Ireland) Order, Environment and Safety Information (Northern Ireland) Order.

■ FRIDAY Commons and Lords: 9.30am Prorogation of Parliament ending the session.

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WORLD ELECTRICITY London, 16 \$17 Nov

This year's FT/Power in Europe conference brings rogether speakers from Europe, the USA Latin America, South Africa and China to debate now the electricity industry is responding to a more competitive environment. Speakers include: Mr Micholas Argyns, Commission of the European Communities; Dipl.-Ing. Ludwig Strauss, Bayernwork AG; Professor Jain Popczyk, Polish Grid Company; Dr Mary O Archer, National Energy Faundaben; Mr Glaeiranco Castelli, ENEL SpA and Mr Robert J Saunders, The World Ban

THE ECONOMICS OF RAIL PRIVATISATION - OPPORTUNITIES FOR THE PRIVATE London, 22 November

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passenger service franchising, the new leasing market in ratiway rolling stock and the management of track infrastructure, Speakers include: The Rt Hon Roger Freeman MP. Minister for Public Transport; John Switi CC, Rasi Regulatin Designate: Reger Salmon, THE PETROCHEMICAL INDUSTRY Global Prospects Beyond the Recession. London, 22 & 23 Nove he current challenges facing petrochemical producers and the longer term outlook for the

industry will be reviewed, with papers on pricing, restructuring, corporate governan competition issues. Speakers include: Mr Robert D Kennedy, Union Carbide Corpo Mr Clive H Thompson, ARCO Chemical Europe, Inc. Dr Albert O Richards, Credit Suis on; Mr Makolo Takeda, Martech, Inc. Dr Nafi Amin Amilia, Guti Orga idustrial Consulting: Mr Andrew Reynolds, Applied Market Information Ltd and Mr Edward A Wilson, Dow Europe SA. VENTURE FORUM EUROPE '93

Arranged jointly by the Financial Times and Venture Economics, the Forum britos society Industry experts from Europe and the USA to discuss the issues and opportunities affecting the European venture capital community. The Forum will include sessions on new approaches to fund raising; buyouts; the outlook for technology investing in Eu-

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Madrid, 1 & 2 December wise the economic, budget and labour policies of the new Spanish Government as well as important questions on Europe's haum and the conditions for monetary and political union. The distinguished panel of speakers include: D. Podro Sofbes Mira, the Spanish Milneser of Economy & Finance, Prof Dr Otmar Issing, Member of the Board, Deutsche Bundesbank O. José Antonio Grinán Martinez, the Spanish Minister of Labour & Social Security, and D. Luis Angel Rojo, Governor of the Bank of Spain.

WORLD TELECOMMUNICATIONS ondon, 7 & 8 Decen

The conference debate will focus on the bunds changing the shape of the west telecommunications intustry, with particular emphasis on regulation and the method challenges and obstacles at privatisation. Speakers include: Mr Don Cruickshank, Direct Oeneral of OFTEL, Mr James H Ouelis, Chairman oil the Federal Communication Commission, Kr Marc Ozadelot, Conseiller d'Etat, French Ministry al Coste and Felgeommunications, Mr Pài Horváth, Olisetur Genarat of the Hungarian Felgeommunications Compeny and Mr Sessel Fok, Chief Executive Officer of Belgacom.

PENSIONS - A Time for Change ondon, 7 & @ December

Colombing the publication of the Goode Committee's Report, the conference will discuse he saves of concern to persion fund administrators and their advisors and examine investment trategies in a climate of low inflation. Mr William Heque MP, Department of Social Social hie the opening address and speakers include: Mr Tom Ross, Cley & Partners; Mr Brian news, ESN Pension Management Group; Mr Hugh Stevenson, Morcury Assot agement Group pic; Mr Ron Spill, Legal & General Assurance Society Limited and

THE OUTLOOK FOR NATURAL GAS IN THE 1990s AND BEYOND

ical meeting will consider developments in key markets, oval demand, and examine the financing of gas projects. Speakers include: Mr Richard C Green Jr. UtBCorp united first Mr H John Hawkshow, 8P Exploration Operating Company United Mr Codrid H Brown, British Gas pic; Mr Herbert Dethelding, Wintersnaft AG: Mr Djame Mered, Sonatrach and Mr Reza Rostant Soni, Pational transan Gas Company (NIGC).

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forum to discuss key issues af current
concern to pension fund administrators
and their advisors, review the implications
for the industry of the Goode Commines's
Report and examine investment sufferior Report and examine investment strate in a climate of low inflation.

DECEMBER 3 Flexible Benefits

&

Under discussion will be the theory and practice of setting-up a flexible benefits package as well as the technical issues such as the tax and legal considerations. These will then be illustrated using the the first UK organisations to take advantage of this new concept, CONTACT: Evic Khane, ISC Legal Studies and Services Limited.

Tel: 071-637 4383 Fex: 071-631 3214 LONDON

DECEMBER 3 **Pervice Level Agreements** An intensive one day seminar which will each you all you need to know to ensure the smooth implementation of SLA's within your organisation. Includes an SLA

Contact: Peter Barnes, The Informatics Resource Centre Tel: 081 871 2546 LONDON

DECEMBER 3 Television from the Regions -The First National Conference

Michael Grade, (Chief Executive Channe Four), opens this debate on the economie end cultural implications of regional brandcasting paticy. Chair: Stuars Coegrove, Speakers include Tom Gutteridge, Andrew Quinn and John Willis. For £40. Contact: David Thorley, Centre for Modia, Performance and Communications. C. Salford. 061-834 6633.

MANCHESTER

DECEMBER 6-7 Understanding and Implementing Electronic Mail and FDI

This seminar will provide delegates with a clear appreciation of the products available, a business rationale for their implementation and guidelines for their integration lets the current business practices of your organisation. Contact: Peter Barnes, The Informatica Resource Centre, Tel: 081 871 2546

LONDON DECEMBER 6 & 7 Emerging Structures in Energy

Convened by the RHA. The Sritish tasitime of Energy Economics and the International Assoc for Energy Economics. Sponsored by Coopers & Lybrand. Texaco, and the International Petroleum Exchange. Held at Chatham House Enquiries: RIIA Conferences, The Royal Institute of Internacional Affaira, Chatham House, 10 St James's Square, SWIY 4LE Tel: 071 957 5700 Fex: 071 957 5710

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EXHIBITIO

DECEMBER 15 London School of Economics The London School of Economics is developments concerning treaties and what stategic planning opportunities they provide. Bruce Lassman will examine the USNetherlands Treaty which is expected running a one-day course on 15 December 1993 called 'Enforcing Regulations: Ninetiee'. This course will inletest professional renews from the OECD on the model tax regulated industries and their advisors. Details from LSE, Short Courses Office convertion, recent UK treaties and treaty interpretation. Contact: Vicki Goffin, IBC

Tel: 071 955 7227 Fax: 071 955 7676

MARCH 2 Emerging Markets 1994
A one-day international conference,
Savoy Hotel, London, An assessment of
the global market with leading Chris Stals, Jan Plenderlaith, Phillips international specialists fro Montot, Manuel Guitisu, Rei Masunaga, Robert Guy and Rachel Lomax contribute London, Hong Kong & Singapore, evaluating trends and potential across all to this the second Cityforum and Central emerging markets. For details Fax: 071-638-3365

LONDON

NOVEMBER International Tax Conferences Erset & Youdg's International Conference Calendar, 2 November - International Tax Plauning, New York 23 November -International Tex Planning, Paris Contact: Michelle Beard ERNST & YOUNG Tel: 071 931 2297 NEW YORK, PARIS

INTERNATIONAL

NOVEMBER 8-10 After the Recession **World Commercial Aviation**

at the Crossroads The conference will focus on the great changes that are taking place in the world skiline and secuspace indexey. The impact of globalisation and amitilateralism will be assessed as well as the manufact role in meeting future aircraft deman Enquiries: Financial Times Tel: 071-814 9770 Fax: 071 873 3975/3969

NOVEMBER 29-30 "Sub-Saharan Oli & Minerals"

Major investment conference or-hosted by Burope Energy Environment, Oaboocae Ministry of Milws & Energy, NNPC, Sounged & SA Chamber of Mines. Rey speakers include President FW de Klerk and Dr Netson Mandela plus Ministrys and delegations from gross and Schoos. and delegations from most sub-Szharan countries. For details contact: EPE Ltd Tel: +44-71-493 4918; Fax: 44-71-355 1415

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DECEMBER 2/3

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GAMMON CONSTRUCTION, the Hong Kong-based company jointly owned by Trafalgar House Construction and Jardine Pacific, has won orders. worth £370m (HK\$4.2bn), including its first significant

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Several

March Control of the Control of the

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contract in Indonesia. The largest orders are for two sub-contracts worth £120m on the Western Harbour Crossing for Nishimatsu Construc-tion Company. The main contract involves the design and construction of a third immersed tube road tunnel under Hong Kong Harbour to include northern and southern

The numel will provide a vital link between Hong Kong Island and West Kowloon. Gammon will construct all

the land based works on Hong Kong Island - 3.5km of prestressed elevated highway structures founded on barrettes and bored piles, a 300m long cut and cover tunnel, to be formed by top down con-struction between diaphragm walls, numerous linking ramps and an underpass, extensive drainage and utilities. In Indonesia, Gammon in

joint operation with P T Total Bangun Persada will build the



Artist's impression of the £60m Landmark buildings in Jakarta

office towers at the Landmark Centre in central Jakarta (pictured above).

The 31-month project is for developer P T Panen Subur and includes the construction of twin 24-storey office blocks above a two-level basement Bangun Persada will build the carpark area and a two-level form Landmark III and IV podium containing retail out-

lets, carpark and extensive Other Hong Kong orders

include additional power sta-tion work and building on the Dorset House development in Quarry Bay. Gammon is already building twin office towers of 40 and 43

MDI gains US hat-trick

INTERNATIONAL, a 50 per cent Amec-owned US project management company, has been awarded three contracts worth \$160m (£106m).

The largest contract, at \$117m, is for the construction management of a 27-storey, 1,263,000 sq ft, Orange County Courthouse in Orlando, Flo-

Work on the 32-month con-

Work rolls in for Conder

CONDER PROJECTS, Miller Construction's specialist design and build business, has won a total of £12m orders in Scotland, Co. Durham, Notting-

ham and Surrey. The two largest contracts are for residential accommodation - the first, valued at £7m, to construct two, three and four-storey en suite student accommodation at Nottingham Trent

University. The second contract, for Miller Conder Projects, is to build three-storey en suite accommodation and associated facilities for 118 staff and trainees at the Scottish Police College in Kincardine, Fife. Work has just commenced on site and the contract value is

Conder has also been hired 513 patients and is to have a to construct advance factory gross floor area of 58,000 sq units in Co. Durham for metres.

DIESEL tract will start on site next ment of Veteran's Affairs. year and is expected to create up to 2,000 local jobs for subcontractors, vendors and sup-

> At Menlo Park in California, MDI's San Francisco office has been awarded a \$24.3m contract for a new drug and alcohol rehabilitation unit.

Work involves building s

Work is due to start next in Chicago, MDI has won an

\$13m deal to construct a new five-storey building for the Children's Memorial Institute for Education and Research. Due to be completed 1995, the contract will sdd about 70,000 sq ft of usable research

two-storey, 100-bed, domiciliary facilities, nearly tripling the building for the US Departing institution's current capacity. facilities, nearly tripling the Joint venture starts on £68m hospital

JOHN LAING CON-STRUCTION has joined up with JOHN PAUL CONSTRUC-TION to build the Tallaght Regional Hospital in Dublin. Recently swarded by the Tallaght Regional Hospital Board, the contract has a value of

Work has already started on the project and is scheduled for completion in early 1997. The hospital is located in south-west Dublin, approxi-mately nine miles from the city

centre The contract is said to be the largest current single building contract in the Republic of

The Hospital will cater for

tion of wards and paramedical departments including treat-ment, diagnostic and medical service sections.

Also included in the project is an energy centre, work-shops, residential accommodation and school of nursing with full catering facilities and ancillary works.

John Simington, mansging director at John Paul Construction, said the company was extremely pleased with the award.

"The hospital adds to a strong list of public sector projects for the company since it was first set up in 1949," he

Brian Fitzgerald, s John Laing director, added: "The joint venture provides much in terms of experience and local

storeys in the bay area. UK group rebuild in Kuwait

A £6m contract to rebuild an ammunitions facility in Kuwait has been won by the KUWAITI ANGLO DEFENCE COMPANY (KADCOL), a Taylor Woodrow / Wimpey joint

KADCOL will repair and refurbish air-conditioned storage facilities for munitions, maintenance and testing facilities. It will also build a new administration block, and install a telemetry and security

Hugh MacRae extends home

Inverness builders HUGH MACRAE has been awarded a £230,000 contract to carry out building work at Redwoods Nursing Home in Teaninicb,

The contract involves the construction of a 16-bed singlestorey extension.

Rooff designs

ROOFF has been awarded a £2.1m, 68-week contract to design and build 54 houses for Notting Hill Housing at West Drayton. The development comprises 21 two-bed, 30 threebed and three four-bed bouses to be shared between Notting Hill Housing Trust and Air-



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Notice of Invitation

Salomon Brothers Inc

to holders of

Certificates of Accrual on Treasury Securities (CATS) and **Treasury Receipts (TR's)**

to participate in a

\$10,000,000,000 Tender Offer

Salomon Brothers Indir "Salomon" is offening to purchase the CATS and TR's described below (the "Securities") upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 28, 1993 and the related Letter of Transmittal (which, together, constitute the "Offer") for the following consideration, at the option of the Securityholder, either:

(i) Cash Price - shall be the pade resulting in a yield equal to the yield on the STRIPS security maturing on the same date as the tendered Security for maturing on the earliest redemption date of the U.S. Treasury Bond underlying such tendered Security for maturing on the earliest redemption date of the U.S. Treasury Bond underlying such tendered Security is a "Callable CATS" or "Callable TRIS"), determined on the business day following the Pro Ration Date (as defined in the Offer) in the manner described in the Offer (such pince being calculated in accordance with market practice for Securities subject to this Offer and rounded to the nearest cent per S1,000 principal amount of Securities). The yield on a STRIPS security of any maturity for purposes of calculating the Cash Price will be the average (after eliminating the high and the low quotes) of the bid yields quoted to Salpmon at the close of business on the business day following the Pro Ration Date by five primary dealers in United States coverment securities selected at random by Salpmon consumptions. dealers in United States government securities selected at random by Salomon on such date.

(ii) Exchange Price - shall consist of a STRIPS security of equal face amount and maturing on the same dete as the Security eccepted for purchase (or maturing on the earliest redemption date of the U.S. Treasury Bond underlying such Security if such Security is a "Callable CATS" or "Callable TR's"). The STRIPS securities to be delivered in payment of the Exchange Price hereunder are Zero Coupon United States Treasury securities issued under the Separate Trading of Registered Interest and Principal of Securities program established by the U.S. Department of Treasury in 1985.

Amount of Securities to be Purchased - The amount of Securities of any maturity and CUSIP number to be purchased by Salomon pursuant to this Offer will be determined by Salomon, in its sole discretion, on or before six business days following the Expiration Date (the date on which such determination is made being referred to as the Pro Ration Date). It is Salomon's present intention to purchase only that face amount of Securities of each matunty and CUSIP number which, when added to Securities already owned by or otherwise available to Salomon, will enable Salomon to reconstruct the United States Treasury Bonds underlying such Securities. However, Salomon, in its sole discretion, may purchase more or less of the Securities of any maturity and CUSIP number tendered pursuant to this Offer than would be necessary to enable it to reconstruct the underlying United States
Treasury Bonds as described in the preceding semence. In the event that Salomon elects to purchase less than all of the Securities
of any maturity and CUSIP number tendered pursuant to this Offer, Salomon will calculate the tace amount of Securities of such of any fratury and CUSIP number tendered pursuant to this cities, Sacurityholder by multiplying the face amount of Securities of such maturity and CUSIP number tendered by such Securityholder by a fraction whose numerator equals the aggregate face amount of Securities of such maturity and CUSIP number to be purchased by Salomon and whose denominator equals the aggregate face amount of Securities of such maturity and CUSIP number tendered pursuant to this Offer. Such amounts, in all cases, being rounded to the nearest S1,000. In the event that, as a result of pro ration and rounding, Salomon has accepted for purchase from any holder Securities in denominations not available for delivery by the custodian for the relevant CATS or TR's, Salomon will purchase from such holder at the Cash Price an edditional amount of Securities sufficient to increase the amount purchased to the next highest multiple available for delivery by such custodian.

Salomon intends to publish the applicable Cash Price and pro ration information, if any, on Telerate and Reuters.

This Offer terminates at 5:00 p.m., New York City time, on Monday, November 22, 1993 unless this Offer is extended.

	121/2%	121/2% due 08/15/2014			131/4% due 05/15/2014			
Maturity	Sories "5" CATS	Series "Y" CATS CUSIP	Treasury Receipts CUSIP	Maturity	Series "P" CATS CUSIP	Series "O" CATS CUSIP	Treasury Receipts CUSIP	
2/15/94	156884-A9-9	155884-6B-9	222655-Y6-3	5/15/94	156884-QP-6	156884-UQ-9	222655-QW-5	
8/15/94	156884-B2-3	156884-6C-7	222655-Y7-1	11/15/94	156884-QQ-4	156834-UR-7	222655-QX-3	
2/15/95	156884-B3-1	156884-6D-5	222655-Y8-9	5/15/95	156884-QR-2	156884-US-5	222655-QY-1	
8/15/95	156884-B4-9	158884-6E-3	222655-Y9-7	11/15/95	156884-QS-0	156884-UT-3	222655-QZ-8	
2/15/95	156884-85-6	156884-6F-0	222655-72-1	5/15/96	156884-QT-8	156884-UU-0	222655-RA-2	
8/15/96	156884-86-4	156884-6G-8	222655-73-9	11/15/96	156884-QU-5	156884-UV-8	222655-RB-0	
2/15/97	156884-87-2	156884-6H-6	222655-74-7	5/15/97	156884-QV-3	156884-UW-6	222655-RC-8	
8/15/97	156884-88-0	156884-6J-2	222655-75-4	11/15/97	156884-QW-1	156884-UX-4	222656-RD-6	
2/15/98	156884-89-8	156884-6K-9	222655-Z6-2	5/15/98	156884-QX-9	156884-UY-2	222655-RE-4	
8/15/98	156884-C2-2	156884-6L-7	222655-Z7-0	11/15/98	156884-QY-7	156884-UZ-9	222655-RF-1	
2/15/99	156884-C3-0	156884-6M-5	222655-Z8-8	5/15/99	156884-QZ-4	156884-VA-3	222655-RG-9	
8/15/99	156884-C4-8	156884-6N-3	222655-Z9-6	11/15/99	156884-RA-8	156884-VB-1	222655-RH-7	
2/15/00	156884-C5-5	156884-6P-8	222655-2A-9	5/15/00	156884-RB-6	156884-VC-9	222655-RJ-3	
8/15/00	156884-C6-3	156884-6Q-6	222655-2V-3	11/15/00	156884-RC-4	156884-VD-7	222655-RK-0	
2/15/01	156884-C7-1	156884-6R-4	222655-2B-7	5/15/01	156884-RD-2	158884-VE-5	222655-RL-8	
8/15/01	156884-C8-9	156884-6S-2	222655-2C-5	11/15/01	156884-RE-0	156884-VF-2	222655-RM-6	
2/15/02	156884-C9-7	156884-6T-0	222655-2D-3	5/15/02	156884-RF-7	156884-VG-0	222655-RN-4	
8/15/02	155884-D2-1	156884-6U-7	222655-2E-1	11/15/02	156884-RG-5	156884-VH-8	222655-RP-9	
2/15/03	156884-D3-9	156884-6V-5	222655-2F-8	5/15/03	156884-RH-3	156884-VJ-4	222855-RQ-7	
8/15/03	156884-D4-7	156884-6W-3	222655-2G-6	11/15/03	156884-RJ-9	156884-VK-1	222655-RR-6	
2/15/04	156884-D5-4	158884-6X-1	222655-2H-4	5/15/04	156884-RK-8	156884-VL-9	222655-RS-3	
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8/15/05	156884-D8-8	156884-7A-0	222655-2L-5	11/15/05	158884-RN-0	156884-VP-0	222656-RV-8	
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8/15/07	156884-E4-6	156884-7E-2	222655-2Q-4	11/15/07	156884-RS-9	156884-VT-2	222655-RZ-7	
2/15/08	156884-E5-3	156864-7F-9	222655-2R-2	5/15/08	158884-RT-7	156884-VU-9	222655-SA-1	
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8/15/09	156884-E8-7	156884-7K-8	222655-2U-5	5/15/14	156884-RW-0	156884-VX-3	131005-AD-2	
8/15/14	156884-G3-6	156884-7J-1	131005-AG-5					

To tender Securities pursuant to the Offer, a properly completed and duty executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, together with the certificates representing the Securities being tendered and any other required documents, must be transmitted to and received by the Depositary at one of its addresses set forth in the Offer, All tenders of Securities pursuant to the Offer are irrevocable. There are no withdrawal rights in connection with this Offer. If you are interested in pursuing this Offer and have questions regarding how to tender your Securities please contact the Information Agent or Individuals listed bet

The Information Agent for the Offer is:

D.F. King & Co., Inc.

37 Sun Street London, England EC2M 2PY 071 247 8263 (Call Collect)

New York, NY 10005 0101 212 669-5550 (Call Gollect)

Salomon Brothers

Marwan Marshi Stephen Cheeseman Philip Tremmel Liability Management Group Charles Parkhurst Juliet Glennon

This announcement is made solely for the purpose of giving information about the Offer and is itself neither an offer to purchase nor a solicitation of an offer to sell these securities. The Offer is made only by the Offer to Purchase dated, October 28, 1993 and the related Letter of Transmittal.

October 28, 1993

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FOREIGN EXCHANGE AND MONEY MARKETS US job data awaited

ECONOMIC BCONOMIC problems surrounding Belgium and France refuse to go away and could prompt continued weak-ness of the respective currencies this week. Meanwhile, many economists will be waiting for the latest employment data from the US, writes

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Belgium's problems were highlighted on Friday by a mess trades union demonstra-tion to coincide with the EC summit in Brussels.

LIK clearing bank base lending rate e ber cent from January 26, 1993

Workers protested at the government's plans to reduce wages and jobs and the country's transport system was

selling Belgian francs to ensure they were covered against further falls in the

Previous Closs

1.4580-1.4885 0.34-0.32pm 1.47-1.44pm 2.51-2.46pm

Oct. 29 Prestops

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	Germany	MIII Pole	their
٠	twice year) bilateral co	y confere	nce on
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	TRIL ITEM	C · · ·	to the
	On Thurs	dan H	

On Thursday, the Bank of France's weekly reserves statement is set to attract attention. It will cover the period after the D-Mark slipped following the Bundesbank's last interest rate cut. Economists have said the Bank of France has been slow in rebuilding its reserves lost rebuilding its reserves lost during this summer's crisis over the European exchange rate mechanism and a short period of D-Mark weakness against the franc might have given it a chance to redress the

At the end of last week, some foreign exchange dealers said Belgian companies were busy

On Friday, the Us announces its employment figures for October and Midland Global Markets forecasts a pick up of only 50,000 over the month compared with 156,000 in September. However MMS Many financial markets are closed today for All Saints Day.

International, the financial information company believes the figure will rise by 165,000.

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FT-ACTUARIES	WORLD	INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the institute of Actuaries and the Faculty of Actuaries

	NAL AND NAL MARKETS			FRE	DAY OCT	08ER 29	1993			7	HURSDA	Y OCTOR	SER 28 1	963	DC	LLAR IN	DEX
	in parentheses tumber of these	US Dollar tholax	% chg (5) shoot 31/12/92		Yes Index	,DM Index	Local *Currency Index	Local % chg trom 31/12/92		US Poller Index	Pound Storing Index		DM Index	Local Cummicy Index	1983 High	1993 Low	Year ago Year
	ie (69)		+27.4	158.95	109.20	139.16		+31.4	3.25		155.82	107,30	138,44	156.18	159.37	117.39	115.6
Austria	(17)	180.23	+28.6	179.76	123.50	157.38		+33.7	1.00		176.02	121.21	154.12		184,47	131.16	
Belglun	n (42)	151.18	+13.5	150.78	103.58	132.00		+24.1	4.25		149,09	102.66			156.76		
Canada	9 (107)	133.51	+15.5	133.16	91.48	116.57	127.71	+19.9	2.62	.132,65	131.81	90.76	115.40		133.51	111.41	
Denmar	rk (32)	238.10	+27.9	237.47	163.15	207.90	219,18	+38.0	- 1.04	235.96	234.47	161.46	205.29		239.12	185.11	
	(23)	125.88	480.8	125.55	86.26	109,92	152.13	+89.1	0.68	123,48	122.70	84,49	107.43	150.32	125.88	65.50	
France		169.07	+14.2	167.63	115.18	148.74	155.02	+21.5	2.99	169.41	168.34	115.91	147.38	155.68	173.05	142.72	67.3
	1y (BO)	134.11	+28.9	133.76	91.91	117.10	117.10	+33.7	1.81	132.63	131.79	90.76	115.39	115.30	136.13		147.0
Hono ki	ong 1551	372.88	+68.3	371.90	255.50	325.60	369.96	+68.0	2.86	360.57	358.30	245.73	313.73			101.58	106,3
paragraph to	ong (55)(14)	174.18	+28.3	173.73	119.36	152.10	174.44	+48.0	3.21	174.00	172.90	118.06	151.38	357.87	372.88	218.82	264.2
Italy (70	(1°P) parar sambar i ving for namera . K	68.92	+25.8	68.73	47.22	60.17	83.94	+39.0	1.99	68.54	68.11	48.90	59.63	175.00	174.50	129.28	132.2
		154.33	+44.1	150.94	103.69	132.16	103.69	+25.1	0.80	148.48	147.54	101.60	129.20	83.29	78.93	53.78	59.5
	469)	476.92	+82.4	475.67	326.78	416.42	489.57	+78.3	1.46	470.79	487.82	322.13		101.60	165.91	100.75	103.5
	a (69)			1814.48		1588.53	6221.88	+10.7	0.79	1848.56			409.60	463.99	476.92	251.66	269,9
WEXICO	(19)(19)	1819.27			133.85	170.32	157.86	+33.5	3.26	195.10	193.87		1608.34	6306,94	1887.70	1410.30	1442.13
Nemena	and (25)	195.05	+28.8	194.54 67.16	46.13	58.79	64.48	+45.5	3.44	88.22	65.80	133.50	160.75	167.54	195.17	150.39	153.41
New Zee	eland (13)	87.33	+57.0		126.40	161.07	183.27	+41.7	1.39	180.65		45.51	57.61	63,42	67.33	40.56	37.43
1907W2Y	(23)	184.48	+33.9	183.97		282.15	236.32	+46.5	. 1.43		179.51	123.61	157,18	180.10	185.10	137.71	140.00
Singapor	re (38)	323,14	+51.5	322.29	221.42					322.86	320.82	220.92	280.30	236.42	332.55	207.04	191.90
South At	frice (60)	214.53	+44.9	213.97	147.00	187,32	187.41	+25.8	2.69	212.68	211.34	145.53	185,04	196,84	218,72	144.72	152.18
Spain (4)	2	143.81	423.S	143.44	98.55	125,57	146.32	+44.8	4.04	142.51	141.61	87.52	123.99	145.32	145.24	115.23	
Weden	(36)	203.54	+22.9	203.00	139.47	177.73	245.49	+41.6	1.38	203.83	202.55	139,48	177.35	244.85	208.92	149.70	110.73
		146.93	+30.0	146.55	100.69	128.31	135.18	+31.7	1.61	145.76	145.84	100.43	127.71	134.39	148.18	108.91	156,46
	ingdom (218)	191.21	+10.9	190.71	131.01	166.85	190.71	.+13.0	3.74	181.54	190.34	131.05	166.64	190.34	193.97		110.31
3A (518		190.65	+7.0	190.14	130.64	168,47	190.65	+7,0	2.70	190.53	189.32	130.38	165.77	190.53	191,56	182.00 175.38	164,84 170,98
горе (7		161.46	+18.7	161.04	110.64	140.99	154.90	+24.1	2.92	161.28	160.27	110.36	140.33	154.27	162.97		
role (1		192.60		192.10	131.98	188.18	201.95	+45.2	1.21	191.64	190,43	131.13	166.73		184.54	133,92	134.00
TUBE I		159.53		159.21	109,38	139.39	113.54	+28.5	1.06	156.57	155.58	107.14	136.22		188.80	142.13	143.71
		160.28		159.85	109.81	139.94	130.10	+26.4	1.83	158,41	157,41	103.38	137.81			105.89	108.70
				186.59	128.21	163.38	168.83	+7.6	2.70	186.92	185.74	127,92	182.66	:	162,88	117,28	118.93
		167.08 ·		141.91	97.52	124.27	133.73	+32.3	2.40		140.98		123.46		167.68	171,51	167,75
				239.34		209.55	222.18	+54.1							143,73	112.51	115.15
					110.33	140.59	132,30	+26.0							239,97	152.70	158.81
					114.99	146.54		+18.7								118.51	120.09
					116.27	148.17		+18.0								134.22	133.61
								+15.6								137.29	138.32
id Ex	Japan (1699) 1	81.56	+14.1	91.00							100,000	123.96	157.63	176.79	81,56		154.89
		69.87	21.7	69.42	116.40	14B.34 -	150.45	+18.1	2.17	168.64	167.58	115.40					

e stolle allest friedly in the		
	Dec 31, 1997 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.64 Copyright, The Financial Times Limited, Goldman, Sachs & Co, and N	(Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index),
	ing 29/10/93: Additions: New Rothmans Units (U.K.), New Rothmans Un and Rothmans International "8" (U.K.), Name change: Price Co. to Price/C	

	10de aur	- FORWAI	RD AGAIN	ST T	HE POUND
Oct 28	200m	Close	One mouth	% 0.2	illow
Canady Statisticade Statisti	8.7000 - 8.7455	8.7350 - 8.7450 12.1075 - 12.1175 160.75 - 101.75 17.54 - 17.57 2.2025 - 2.2125 1.3035 - 1.3045	6 05-0 Poods by Luptes 60 14-2 con 57 Florids 5-7 Florids 1-1-2 Florids 1-2 Florids 1-3 Florids 1-3 Florids 1-3 Florids	266 134 -054 -133 -258 -070 -547 -381 -297 -241 -112 -192 326 0.51	0 84-0 81pm 0.44-0.50pm 0.44-0.50pm 41 00-55, 10 pm 55, 10 pm 55, 10 pm 35, 417 pm 35, 417 pm 18, 71 pm 18, 71 pm 21, 24, 51 pm 21, 24, 51 pm 21, 25, 51 pm

Oct 29	Day's	- FORWA	- Adam	21	THE DOLL	AK
et 2	apread	Close	One mosts	7	Three months	93
riacit	5.8450 · 5 8825 8.0710 · 8 1600 108.05 · 108.50	1 4860 - 1.4870 1.4065 - 1.4075 1.2025 - 1.2015 1.3850 - 18.40 36.30 - 18.40 2.7820 - 6.7700 1.6720 - 1.8020 1.6720 - 1.8020 1.34.25 - 134.35 18.775 - 163.25 5.8775 - 5.8825 5.8775 - 5.8825 1.4805 - 8.1500 108.25 - 100.48 1.7920 - 1.7950 1.4835 - 1.4845 1.4835 - 1.4845	0.43-0.22pm 0.43-0.42pm 8.13-0.15cds 8.46-0.5cds 17.40-79.00cs 0.40-79.00cs 1.33-1.25cds 1.33-1.25cds 1.33-1.35cds 1.35-1.35cds 1.83-1.34cds 0.06-0.05pm 0.10-3.40pmde 8.16-0.20cds 8.49-0.38cm	255 350 -127 -558 -541 -544 -553 -255 -255 -255 -255 -255 -255 -255	524-0.51 pm 1.11-1 D5pm 0.32-0.32 de 7.37-1.35 de 48.03-32.00 de 8.15-8.75 de 3.03-34 de 3.03-34 de 3.03-34 de 3.03-34 de 3.03-32 de 4.95-5.10 de 7.80-82.30 de 0.30-627 pm 650-9.30 de 0.43-0.45 de	-1025 -1025 -499 -31 -77 -64 -24 -390 -122

				CHA	NGE	CR	oss	RAT	Œ\$			
0ct 25	2	\$	DM	Yes	F fr.	S Fr.	N FL	Ura	- 25	ß Fr.	Pta.	Ecu
\$	0.672	1.487	2.498	181.3	8.740	2.208	2.803	2425	1.966	54.05	200 6	1.30
064	0.400	0.595	1,680	108.5	5,878 8,499	1.485	1.885	1631	1,322	36.35	134.5	087
YEN	6.200	9.270	15.49	1000	54.16	0.884	1,122 17.38	970.8 15034	0.767	21.64	80.06	0.52
FA.	1.144	1.701	2.658	184,8	18.	2.526	3.307	2775	1216	335.1 61.84	12 (0) 228.8	9.084
	0.357	0.673 6 531	1.131	73.05 57.55	3.958	.1	1.269	1098	0.890	24,48	90 58	1.492
Like	0.412	0.613	1.030	56.62	3.504	0.768	1 100	865.1	0.701	19.28	27.35	0 486
CS BFr.	0.500	0.756	1.271	82.04	4,445	1.123	1.158	1000, 1233	0.871	27 49	82.47	0.538
	1.850 0.500	2.751	1,249	296.4	18.17	4.085	5.188	4487	3 637	100	101.7 370 0	0.663 2.413
	0.787	1.140	1.916	80.85 123.7	4.370 8.702	1.104	1.402	1213	6.983	27.03	100	0 652
					8202	1.583	2150	1860	1.508	41.45 per 100		1

	URO-C	URREN	CY INT	EREST I	RATES	
Oct 29	Short	7 Days notice	One Month	Three Months	Sk	One Year
Starding St. Publish St. Publi	57 - 55 - 3 - 27 - 42 - 42 - 45 - 65 - 65 - 7 - 7 - 7 - 16 - 8 - 82 - 12 - 25 - 24 - 10 - 0 - 12 - 12 - 12 - 12 - 12 - 12	51 54 65 45 65 65 65 65 65 65 65 65 65 65 65 65 65	574 - 574 374 - 474 474 - 474 674 - 674 674 - 674	53.44 6.44 6.45 6.45 6.45 6.45 6.45 6.45 6	557455486585255 *#1	512 - 513 51 - 513 51 - 514 512 - 514 513 - 514 514 - 514 514 - 514 615 - 614 616 - 614 616 - 614 616 - 614 617 - 614 617 - 614 618 - 614 61
ed form throdolines to per cent nominal FT	_	ON IN				olice.
11,00 A.M. Oct 2					US Dollars	
ted 3.2	- 0	Hor 3.1	100			

t 29) 3	ensites all attnom	6 month	s US Dollars
	other 3,3	bid 5/6-	offer 3,4
	offer 3,14	bid 5%-	offer 3

:		MONE	Y RAT	TES			
NEW YORK	•	•	Treasur	y Balls and E	londs		
Aprili Prime rate Broker loon rate :	time rate 5 Two month 3.07 Five year roker loan rate 5 Skr month 3.09 Seven y set funds 3/2 One year 3.45 30-year 4.01						
Oct 29	Overnight.	One Month	Two	Three Months	Stx Months	Lombard	
Frankturt	6.45-6.55 613-631 43-43 6.00-6.08 833-94 9-6-9-6 63-6-6-6	8.45-6.55 8.83-6.98 412-45 8.12-6.20 612-61 612-65	6.40-6.50	6.35-6.45 6.53-6.76 41-4.2 6.08-6.16 63-82 67-9 63-61 ₂			

Section Sect	L	ONDO	N MC	NEY	RATE	5	
Signature Sign	Oct 29	Overnight.	7 days notice	One Mooth	Three Months	Sb; Months	Orac
DRI Livined Dan. Bid 40 40 30 37 37 37 37 37 37 37 37 37 37 37 37 37	otherbaris Bid Sharting Obe, S	54 91 ₂	578	572 55 55 298 44	5.5 5.5 5.6	- [512 513 514 514 515 514 515 615 615

	Oct	Oct	Oct S	TOCK IN	
	29	26	27	28	Oct 26
FT-SE 100 FT-SE-M 350 FT-SE-A 350 FT-SE Eurotrack 100 FT-SE Eurotrack 200 FT Ordinary FT Government Secs. FT Flood Interest FT Gold Mines	3171.0 3528.1 1580.9 1565.37 1374.61 1459.46 2396.0 102.67 124.35 225.5	3163.0 3532.4 1578.2 1562.82 1369.48 1435.53 2383.5 102.65 124.35 226.5	3154.3 3537.1 1575.3 1560.13 1367.82 1430.55 2383.5 102.98 124.83 221,3	3165.3 3545.0 1580.3 1584.82 1377.10 14377.92 2381.5 103.38 124.80 216.6	3184.8 3547.0 1588.1 1572.00 1376.69 1442.08 2395.8 103.24 124.84 220.1
			LONDO	N SHAR	E SERV
BRITISH FUNDS	& Ament Interest 8 Em dise	BR Lac: City at See	ITISK FUND		Ammt interest

LONDON RECENT ISSUES

POSE

STATEMENT OF THE STATEMENT OF THE

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

HER 120 Price cont. Federal Rolls 2 Min. Treatury Cit. 5 Min. Treatury Cit.

CENTRO RES

to Canada

Tipe Lice

Asia Contact

Tipe Ferrer

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EQUITIES

Pale Pale p

Amount Laters Paid Remark at Date

500 600 71:0

550x 562m 530x 52.750 97%

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-0.35 -0.35

Duncan Lewne ...

Grobank ...

Lloyds Bank. Meghraj Bank Ltd

OFfichers Flemming & Co _ 6

●Guinness Mahon 6

Habib Bank AG Zunch ...6

Hentable & Gen Inv Bl. 6

• (In administration)

BASE LENDING RATES

55

95 812

6.16 6.12

Adam & Compa

Banco Bibao Vizzaya... 6

Bank of Cypnus 6

Bank of India Bank of Scotland ...

Cibbank Neosrend 6
Cibbank NA 6
City Merchants Bank 6
Civdosdale Bank 6
Civdosdale Bank 6
Coutes & Co 6
Coutes & Co 6
Coutes & Co 6

British Funds				BRITISK FUNDS	- Cont.			BRITIS
	WAS	Arrest Interest	Last On					Dru I IQ
Notes Price !	Ectr'inge	£m dese	ad line		W'k % Price Schinge		Last City	
"Shorts" (Lives up to Five Years)	-		~	10mm 2000			zi lice	
Trees 81 ₂ pc 1994 1005			28.5 4877	Treas 111120 2001-4	12195 -18		2.6 1281	Jodes-Links
14 ³ 2PC 1994±± 103 Å			26.7 1307		125/3 -1.0		13.8 1230	
Erech 13120c 1994		1,100 Oc27 Apr	7 20.9 1367	Conversion 912 oc 2004	8011 -1.5	543 Ja14 Jy14	7.8 1274	Treas and
1/885 TOPC LA. 1994# 102/7		1,900 Des Jes	4.8 (294	low Classes	118)311 -1.3		20.9 1246	4 soc 36
Each 121/20c 1994 105	1	1,240 Fe22 ALC:	16.7 1.263	01 000		3,250 MY26 HV26		4 30¢ 300
7/456 Spc 1994## 103 2d	-1	1,800 My17 Ny1	7 11.10 1345		11833 -1.2	4,842 Oc18 Ap18	13.9 1247	2120€ '01.
12pc 1995		2,350 M25 JETS	18.8 1294			2,200 MyCI MyCT	15.16 1295	21-pc '03
Eech 3pc Gee 90-95 97'4#	1	214 Uvi 12/1	27.9 1271	74pt 2006;**	105}} -1.3	3,900 Mr8 Se8	28 -	4% pc '04
10 ¹ 40¢ 1995 107?2	- 1	2,500 Ja21 N21	14.8 1254	8pc 2002-6==	100 -7.3	2,000 App 0c5	1.9 1234	2pc '06
Trace 1240c 1995tt 11373td		840 My 15 No 15	11,10 1,38	I/E/S 114/3C 2/183-7	129(? -1.0	3,150 3/22 1022	16.5 1293	2 2pc '09
14pc 1996 117U	-2	770 JV22 J122	16.5 1305	Trees 8-200 2007 ##	1114 -12	5,497 Ja16 Jy16	9.6 1329	212pc 11.
151-pc 1996## 122,34		1,150 NV3 M/3	27.9 1303	F-275 2007 C (050024	62(2 -21	1,300 Ja16 Jy16		2 20c 13
Exch 13 epc 199621 117 4 of		800 Nv15 Mv15	11.10 1268	121:00 194-8	14433 -1.0	1,250 Se26 Mr26	20.8 1301	212pc 16.
	-4	3,409 My15 /h 15	11.10 1240				2020 1001	7120c '20 .
7reas 1314pc 1997## 12077	-4	1,290 Jy22 Jac2	15.6 1332					21200 342
Exch 10120c 1997 11313	-4	3,700 ALC:1 FE21						6 Figures
Earth 15pt 1997 12012	-,5	5,550 Mrt Set	26.7 1341					מאם פושרטיה
	- 5	830 A:27 0:27						API 10 100
7 mas 7 apc 1998;; 104.	-7	3,550 Jy19 2110	14.6 1273	Over Filteen Years				February 15
	-7	6,250 Main Sean	248 -	Treas 9oc 2008 #	11653 -1.1	5,321 Ap13 0c13	6.9 1345	
74pc 1996 8## 104/3 Treas 64pc 1995 98## . 1015 vil	-7	1,600Mar 30 Sep 3		£pc 2309	107 2 -1 4	3,100 M/25 Se25	40	
1400 '98-1		1,200 Not lev!	27.9 131:	Cons 90c La 2011 ==	117.5 -1.0	4,273 July Jy12	7.8 1245	OTHER
14pc '98-1 12944	-4	970 N.22 WY22	16.10 1336	90c 2011 6 350s ±±	50tl -22	1,000 Jy17 Ja12	720 1243	
				Trees Spc 2012	1181 -9	5,100 Fe6 Au6	30.6 1701	
				Treas 51/200 2008-1250	253 -9	1,000 M10 Se10		
Date St W.				Treas Spc 2013=+	1081 - 3	4,350 M27 Se27	23.8	African Dev 11
Pire to Fifther Years				7 400 2012-15##	106 28	600 1/25 1625		Acton Dev 101
Treas 151-pc '96## 1377	-6	505 Ht:30 Se20	24.8 F308	Treas 31/20 2017##	117.2 -1.0	DATE OF THE OWN	Z1.6 1332	Trare 111300
Emp 12pc 1990 12213 m	-3	3,509 My20 7M20	14.10 1259	Exen 12xx 13-17		8,950 Fe.5 Au25	19.7 1982	reland Cap 6
Trees 912pc 1999tt	-7	1,800 .715 4:15	8.5 1347		14775 -1.1	1,000 Je12 De12	6L5 1260	90c Cap 189
Each 12140c 1999	5	3.058 Se26 M-16	20.8 1254					1300 97-2
Treas 101200 1999 118123	-7	1,292 No 19 Lly 19	13.10 1228				,	MAD CHEDEC
Treas ope 1999 (ESCOPELL MILE		3,500 fe10 fe 10					ı	ceds 131apc
Conversion 104pc 1999 11811ml		1,798 My22 N/22	18.10 1242					Nerpool 3120
900 2000tt. 112!!		5,350 Sc3 Mc3	28.7 1242	Mandatud				OC DEC 70 A
Trese 12ne 2000 4001	2	Appeal acritical	404 1244	Uluani.				American II

	Treas 6 apr 1995-9822 . 1015-10	-7	1,600	No.1	5ep30		132:	Cor
		-4	970	N-22	Wy22	18.10		
	Pive to Fiftner Years							7
	Treas 151-pc '96## 1377	-6	\$35	M:30	S m	24.8	COUS	Tre
	Extra 120c 1998 120] w	-3	3,509	Mv20	28/20	14.10		Eye
	LEADS in 5th 188845**** 113'3	-7	1,500	JV15	4 15		134	
	Treas 10 ¹ / ₂ pc 1999 1251 ₂	5	3,050	3c25	W 16	20.8		
		-7	1,242	N 19	719	13,10	1228	
		-2	3,500	fe10.	10	-	-	
		7 -8	1,798 5,358			18.10	1242	
				Seal		28.7		Und
			4,405	Ja14.	714			Con
			325	THE P	ex a	20.7		War
	94pc 2002 118A -0		6,527	77	100	21.7		Com
	SDC 2003±± 1001		4,350	Je10 £	e 10	44		Cone
	8pc 2003 A++ 100 -1	.1 :	3,250	1416 C	DIS	-		Trea
Г		_		_				

c '96#	1377	-6	444	M:30 Se20			T
998	123) ly				-	F303	
1999±±		-3	3,509	My20 7W20	14.10	1259	В
1399dt	113,3	~7	1,800	Jy15 Ja15	8.5	1341	
1999	12512	-,5	3,058	Se25 M 6	20.8	1254	
G 1995	11843	-7	1.292	No 19 Lly 19	13.10		
99 (ESCOPALL)	48.	-2	3 500	fe10 #410	14.14	1400	
04pc 1999	11miles	7	3,000	TEIUNGIU			
+	112!	~:	1,790	MAN HASS	18.10		
000		-8	3,220	Se3 #43	28.7	1244	u
w	132/2	-7	3,171	J214 514	76	1299	œ
	178,2	-1.0	4.405	AJ26 Fe26		1220	W
	TOTIS	-12			22	1260	G
+	1184	-6.1		FeZ7 Att25	=		
	108		0,327	rezi Amus	21.7	1349	Τη
<u></u>		-11	4,300	Je10 De 10	4.6	-	œ
7	100	-1.1	3,250	Je16 De10	-	-	în
	_						

1,905 1,22 56 276 475

Fei Aut Jei Dei Api Dei Api Ocs SiniplyDe Api Dei 25.6 1239 25.10 1352 25.6 (24) 1.9 1324 1.9 1236 25.6 1315

EFF EST

97% S. Armet
Schring: Em due

- 8 50 Joh Jy4

- 14 100 Mr24 Se24

- 14 300 Mr24 Se24

- 14 301 Au 10c1

- 16 725 John Jy40

- 14 315 Au 10c1

- 16 725 John Jy40

- 18 315 Au 10c1

- 5 1Mr1 Se1

- 5 1Mr1 Se1

- 7 Au 25 00c5

- 7 Au 25 00c5

- 7 Au 25 00c5

- 8 Mr1 Se1

- 9 Au 30 Jy40

- 10 Au 10c1

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The Financial Times plans to publish a Survey on

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FINANCIAL TIMES MONDAY NOVEMBER 1 1993 **LONDON SHARE SERVICE** ENVESTMENT TRUSTS - Cont. METCHANT BANKS

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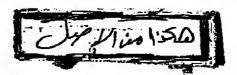
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When you stay with us in BRUSSELS stay in touch - with your complimentary copy of the FINANCIAL TIMES

FINANCIAL TIMES MONDAY NOVEMBER 1 1993



Tackler who can fight dirty

Sir Peter Levene, new chairman and chief executive of Canary Wharf, talks to **Robert Peston**

ene, the prime minister's personal adviser on efficlency in government, bas become used to sharp reversals of fortune. Though he says that his patron, Mr John Major, has lost his stomach for the fortnightly punishment at Stamford Bridge, Chelsea's stadium, Sir Peter continues to occupy his season ticket seat, week-in week-out, together with his three children.

Coping with Chelsea's vicissitudes is probably ideal training for his latest job, starting today, as chairman and chief executive of Canary Wharf, owner of the £2hn, east London property development.

Though Canary Wharf was conceived in the mid-1980s as London's second business centre after the City, when confidence in the future of the Docklands development in east London was at a peak, its financial difficulties led to the collapse of one of the world's most powerful property empires, Mr Paul Reichmann's group of Olympia & York com-panies. They also meant colossal losses for 12 commercial banks which lent Mr Reichmann £671m for the project.

Indeed, the failure to find many tenants for the 4.3m so ft of new office space - hy next year it will be half let and the latest tenant, the Daily Mirror, was lured by the offer of rentfree offices for five years - cast a blight on the entire Docklands development.

But Sir Peter - son of a dealer in antique silver and who as an alderman of the City of London is likely to be Lord Mayor around the year 2000 is in optimistic and combative mood: "The reality is that it's a great development. There is nowhere else in the UK where a hig company can find enough space to hring together all its head-office functions in one

high-quality building." Mr Reichmann originally tried to recruit Sir Peter before Canary Wharf went into administration in 1992. With Canary Wharf out of administration last week. Sir Peter was iv the banks which lent Mr Reichmann money and now own the prop-

Sir Peter says there is a vital difference between Mr Reichmann and himself: "I fight His tough-tackling

s a life-long supporter of Chelsea Football dviser and overseer of the Club, Sir Peter Lev-Efficiency Unit, which he intends to retain despite taking on the Canary Wharf joh. Last week there was controversy over reports that the unit plans to recommend that all state pension recipients should be issued with plastic cards to allow their identity to be checked by computer.

Although Sir Peter refused to comment on the reports, colleagues say he is lobbying hard for the scheme, which he estimates could eliminate more than £800m a year in social security fraud.

He will ruffle more feathers this week when Mr William Waldegrave, the public services minister, announces the results of the efficiency unit'e most important project, the market-testing programme. This was a project launched last November whose object was to put out to tender £1.5bn of work done by government departments, from cleaning, and secretarial services to the collection of official statistics and naval surveillance operations for Customs.

In the event, several bundred million pounds of work has been subjected to the tendering process, about balf heing awarded to the private sector. Sir Peter is thus braced for criticism that he is not introducing competition fast enough.

Although he cannot comment until Mr Waldegrave has made his statement, colleagues say the £1.5bn target was unrealistically high, given that it was 60 times greater than the pilot programme. They add be helieves that success depends not on how much is awarded to the private sector, but on whether the civil service has been made more effi-

However, some private sector companies complain their hids have been obstructed by conservative department heads, who actually choose between the competing tenders, though the process is overseen by the efficiency unit. Sir Peter is unmoved: "I have bad an equal number of complaints from civil servants that we are making it too easy for the private sector. If both sides are complaining I reckon 1 must have got it ahout right".

He has got used to measuring his success by the level of criticism he receives - and the more the better. His first govapproach is evident in his role ernment appointment came in



'If both sides complain I've got it about right'

1985, when be was picked to he chief of defence procurement by the then defence secretary. Mr Michael Heseltine, who became a close friend. This caused a furore as Sir Peter was chairman and managing director of a fast-growing defence contractor. United Scientific Holdings, at the time.

Civil servants were outraged that Sir Peter was being paid

£95,000 a year, more than twice the rate of his predeceseor. He also earned the ire of

PERSONAL FILE

1941 Born Pinner, Middlesex. 1960-63 University of Manches-ter, BA in Economics and

1963 Joined United Scientific: man. director, 1968-85: chairman, 1981-85. 1984 Elected aldarman of the City of London. 1985-91 Chief of Defence Pro-

Defence. 1991-4 Chairman, Docklands Light Railway. 1992- Prime Minister's Adviser

curement, Ministry of

on Efficiency, and Special Adviser to Trade and Industry Secretary, 1993- Chairman and chief exec-

utive of Canary Wharf. defence companies by more than doubling the proportion of contracts subject to competitive tendering and then making payments to contractors conditional on the progress of projects. He says these measures led to savings of about £800m, "When I got to the MoD, companies thought we were an easy touch. When I leit, they regarded awkward customer."

His "most daunting challenge", he says, came when he left the Ministry of Defence in 1991 and took over the chairmanship of the Docklands Light Railway, the new railway through London's east end to Canary Wharf. The DLR was he talks of developing the entire 90-acre site, which

would mean the construction

of 13m sq ft of office space in total, enough for 50,000 people.

challenge at Canary Wharf, there was one job he coveted

more than any other and

which has now prohably

elipped from his grasp forever. In the autumn of 1991, he and

his "good friend", Lord Wein-

stock, managing director of the

General Electric Company, dis-

cussed a plan which would have involved GEC taking a

big stake in British Aerospace

and Sir Peter then joining the

board of BAe, the UK's biggest

defence contractor. The plan

foundered on BAe's hostility

and Sir Peter was disap-pointed, though GEC remains

"I would have liked to play a

part in it, because it was what

I was trained to do," he says.

"On the other hand, the

defence industry is pretty

tough at the moment, probably

even tougher than the property

keen on BAe.

industry.

Although he relishes the

so unreliable it had become a national joke," he says.

Because be "knew absolutely nothing ahout railways", he decided to treat the DLR as if it were "a high-tech computerised system with software which did not work", analogous to some defence projects overseen by the MoD. He recruited Mod colleagues and

the trains now run smoothly. He has reluctantly given up the DLR chairmanship now that he is at Canary Wharf. Although adept at dodging conflicts of interest, he complains that "some people actually thought that, as chairman of both, I would alter the timetable and run more trains to Canary Wharf".

He is also giving up his positions as deputy chairman and managing director at the UK operations of Wasserstein Perella, the US investment bank, though he will remain as a non-executive director.

Because be has never before worked in the property industry, he accepts that people will question his suitability for the Canary Wharf joh. But Sir Peter believes his success at the DLR shows that direct experience of an industry is not vital. He also points out that the hulk of his joh will be selling the attractions of the development to potential tenants. "As chairman of United Scientific my business was marketing," he says.

His initial idea is to locate "the best restaurant in London" at the top of the Canary Wharf tower, the tallest huilding in the UK. "It would sort of place where the chairmen of big companies would go," he says. "Once they have been down to the site, I am sure I can persuade them of the merits of moving their companies to Canary Wharf." His confidence is such that

Of broking and jobbing the Pelikan's fond, See how sweetly he puts your word onto bond. Seliban 🕰

California dream put on hold

he depth of Californ-la's recession has taken most local forecastere by surprise and remains under-reported on the east coast, which is two years into an economic recovery. Californians are not exaggerating when they claim to he still ensuared in the worst downturn since the Great

The figures are strikingly had. With an unemployment rate of 9.4 per cent, against 6.7 per cent in the US as a whole, the state faces a jobs challenge of European rather than American dimensions. Manufacturing employment is down 14 per cent from its peak in 1990 and is still falling, Retail sales are down about 12 per cent in real terms, three times the fall in personal incomes, suggesting a crushing of consumer confidence. In Los Angeles county. which has suffered 70 per cent of the state's job losses, the property market has suffered a London-style meltdown. A typical home in an affluent area is eelling for about \$480,000 against \$670,000 in 1990, and prices may go still lower. For the first time in memory, workers are heading east for

"If you want a job this century, leave California," warns Mr Larry Kimbell, head of the husiness forecasting unit at the University of California at Los Angeles. He does not expect the recession to bottom out until late next year and pre-dicts the state will not regain its pre-1990 growth trend until after the turn of the cen-

The outlook for Los Angeles is worse still, according to Mr Jack Kyser, chief economist at the privately funded Economic Development Corporation, based in Hollywood. In spite of an upturn in movie studios and signs of a revival in tour-ism as memories of the LA riot fade, he does not expect sustained job growth until 1995. In Palo Alto, a region much less affected by defence cuts, Mr Steve Levy of the usually upbeat Centre for Continuing Study of the Californian Economy is almost as pessimistic. Although activity may have



AMERICA

stopped declining, "there is no eign of an upturn", he

says. The grim figures are provoking an intense debate within the state. One camp sees the problems as essentially temporary: a reflection of the com-bined impact of several short-term shocks. The most serious is obviously the 20 per cent decline in federal defence spending in California, which has led to a drop in aerospace employment, for example, of about a third since 1990. But this was exacerbated by the hursting of the real estate bubhle, the cessation of inward investment from Japan and the weakness of foreign trade: California accounts for about a fifth of US exports.

The other, gloomier view is that the difficulties, while partly cyclical, also reflect structural problems: a complacency that took root during the long years of effortless prosper-ity. Mr Lew Coleman, vicechairman of BankAmerica in San Francisco, says about half the state's economic base (not just defence-related industries) is restructuring in an effort to improve productivity. "This cycle is probably sev-

eral years from being completed but it should produce a more competitive state economy," he says. The restructuring thesis helps explain the puzzling short-term weakness of service industries: instead of taking up the slack as in previous recessions, non-manufacturing jobs contracted in both 1991 and 1992 and will probably fall again this year.

The state government is wrestling with big increases in social spending that partly reflect the short-term burden of rapid immigration. (California, with 12 per cent of the population, absorbs a third of legal immigrants to the US and about 50 per cent of illegal immigrants.) But even allowing for this, its performance until recently was poor; a steady increase in the tax and regulatory burden co-existed with a deterioration in infrawith a deterioration in infrastructure, educational stan-dards and public safety. For business and individuals alike, this has made California a "bad buy".

Some pundits are defiantly optimistic. Mr Joel Kotkin, a Los Angeles TV reporter and author, claims the state is going through a healthy Schumpeterian process of "creative destruction". He trans... lates every negative into a pos-itive: cuts in defence jobs, for example, are good because they increase the availability of skilled manpower for rapidly a growing small, high-technology companies; the fall in housing prices makes Los Angeles more affordable for the young people still flocking to the region. The public gloom reflects the influence of the industries that are dying - and thus clamour ing for state or federal assis

Mr. Kothin may overstate his case. But why be too gloomy about the long-term prospects of a state that boasts both Sili-con Valley and Hollywood, cructal players in many industries of the future such as "information superhighways"? In general California is strong in precisely the sectors - enter tainment, high-tech manaice turing, professional services and foreign trade - that are likely to enjoy above average growth in coming

With the passage of a budget on time this year and enact-ment of important tax reforms. there are signs that Sacramento, at last, is getting its act together. Add to this the state's vast consumer market and its favourable position on the Pacific Rim (and as a gateway to Latin America) and there is surely reason to believe that the Californian dream is on hold rather than

JOTTER PAD

Pandora's box swings open

There was not much triumphalism at Friday's European Summit marking the entry into force of the Maastricht Treaty. True, the British government gave a strangled squawk of self-congratulation at the wonderful results of its brilliance in having heen ejected from the Exchange Rate Mechanism a year ago. But most leaders adopted a more modest tone.

For the Community and the treaty are both seriously short of political credibility. Maastricht was supposed to launch Europe on the road to Eco-nomic and Monetary Union: but to the average voter, the EMU programme must look. not just irrelevant, hut perversely damaging in the worst recession in recent memory. Worse, the Community, which has been sold primarily as a source of economic prosperity, has appeared to offer no policy response to this recession. Unless growth returns and

unemployment falls, govern-ments are still vulnerable to the tide of nationalism and anti-Europeanism which surged in opposition to Maastricht. Chancellor Helmut Kohl and President François Mitterrand both remain fully committed to Maastricht. But German voters do not care for the idea of a common European currency and a large propor-tion of the Gaullists in the French governing majority are in reality hostile to the treaty. It is under pressure from these anti-European Gaullists that Mr Pierre de Boissieu is being squeezed out of his joh

as Economic Director at the

Qual d'Orsay, essentially because be is identified as the



EUROPE

man who made Maastricht in short, governments are anxious to stay right away from the kind of ideologically charged controversy about Europe which made the ratification of Maastricht such a misery. They desperately need recovery and hope, growth and jobs; they are waiting anx-lously for Mr Jacques Delors' White Paper on growth and competitiveness, the plot de résistance at the full summit in December, and they would mucb rather avoid another upsetting debate about federalism, supranationalism and the

future shape of Europe. Such a debate is inevitable however, hecause the Community is facing the prospect of admitting a large number of new member states. Four west European countries from EFTA are already negotiating and hope to join by the end of next year; and a raft of other countries from central and eastern Europe are anxious to join as soon as the Community

will have them. Expansion on such a scale cannot fail in the most general terms, to change the character of the enterprise: a Community of 25 member states, with their divergences of character and

interests, is obviously going to be radically different from the existing Community of 12. Poland is more different, in almost every way, from Holland or Belgium than they are from each other, and these differences of history and geography are deep and permanent. The central problem of such

a large Community is constitutional. There ought to be more majority voting, in order to keep open the possibility of effective decision making; but in that case more individual member states could be outvoted. in a large Community, whole groups of states with similar interests may be outvoted: the south, or the north, or the poor. In short, the unavoidable question raised by such a large Community is the old unsettled problem of feder-

alism, or whatever you call it. The debate now starting is not overtly hetween the nationalists and the federalists, but between the big countries and the small. At present the blg countries have a smaller voting weight, in relation to population or GNP, than the small. This gesture of political solldarity was part of the original bargain hetween the six; hut since all the EFTA candidates are small and most of the eastern European candidates are also small, it is now being challenged, more or less openly, by

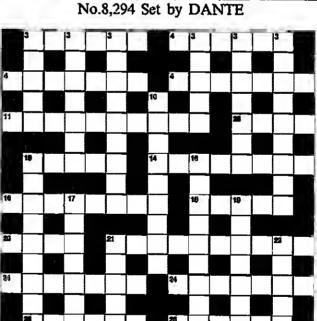
most of the big countries. Unexpectedly, the first to make the challenge explicit has been Britain. Last week Mr Douglas Hurd, foreign secretary, argued the number of votes required to block a majority decision should be the same after enlargement as before: the equivalent of two big countries plus one small. In

theory, such a move could make majority voting more difficult, by raising the proportion of votes required for a decision. But Mr Hurd's result could also he achieved by leaving the decision-making threshold unchanged, but increasing the voting weight of

the large countries. The German government appears divided on the issue, and thus paralysed. But France and Spain want a revision of voting weights. Since such a revision will anger their smaller partners and members of EFTA, they will be grateful to Britain for opening the Pandora's Box.

The small countries thought they had won a reprieve on the voting welght issue, at least until after the negotiations with the EFTA countries. But in the big countries the penny has at last dropped: once the EFTA countries get in on favourable terms, they will certainly not agree to sacrifice their voting privilege; even if they did, their electorates would certainly vote down such a treaty change in the inevitable referenda. A change in the voting system must be now, or it will be never.

The voting issue is also being driven by talk about reforming the Commission. There are now 17 Commissioners, which many think is too many; most agree that 21 after enlargement would he far too many, yet no country wants to give up its Commissioners. The reason is that the Commission takes more and more of its decisions by simple majority vote: and most Commissioners tend to vote hy nationality, even though the Treaty forbids



CROSSWORD

1 Stroke a gander (6) 4 Bear - with a sore head possi-hly? (6)

8 There's a natural abhorrence for such cleaners (7)
9 It results in a free kick for the away team (7)
11 Nurse employed by the infan-

try is a newcomer (10)
12 They are naturally charged for half portions (4)
13 Ecceptrics seen at the bridge table (5) 14 Wrong clue man's giving for US representative (5,3) 4
18 Used to be in a job (8)
18 Used an order which sometimes

perpetuates his name (5) Doctor on morning rounds (4) 21 Poorly valued live entertainment (10)
his boat?
23 A number of workers in pos21 It is esse

session (7)
24 Book covering part of N. Africa (7)

25 Demonstrate an early form of motion (8)
25 Fast movers, before morning

Lower a large cocktail (5) Apart and sure to play around Advanced with gunners, ner-vous and afraid of being shot

(6-3) Unsuitable description of those in poor health (5)
Number set about making the
interior folly (7)
Communist and German

7 Communist and German worker no longer needed (9).

10 Problem – etudy a French instrument (9).

13 One in tha club has whip-round for cheese (9).

15 See Carol'e recipe for a cooked dish (9).

17 An older sort of man (7).

19 Situation of a bad sallor or his boat? (2.5).

21 It is essential to turn up at

21 It is essential to turn up at six-fifty at the outside (5) 22 Medical substitute (5)

found at sea (6)
The solution to last Saturday's prize puzzle will be published with names of winners on Saturday November 13.

